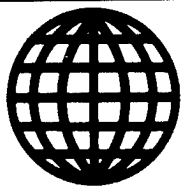


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GENERAL

New Approaches to Party Leadership

40050017 Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 7, 15 Jul 88 pp 35-36

[Article by Sun Jiaming 1327 0857 2494 and Zhang Huaqing 1728 5478 7230: "Party Leadership Methods Must Be Modified To Suit the New Period of Socialist Modernization"]

[Text] Comrade Deng Xiaoping says, "Without the CPC's leadership, a huge country like China is bound to disintegrate and fail." Accordingly we must uphold party leadership. But party leadership has to be improved if we are to uphold and strengthen it. In our opinion, there should be the following four changes in party leadership methods:

1. Change "Party Rule" Into the "Rule of Law"

Party leadership is critical throughout the entire historical socialist stage. Yet the essence of party leadership is not centralized leadership. And centralized leadership is basically the political manifestation of "party rule." In the struggle for political power, the party exercised leadership over party members and the masses via democratic centralism, imposed ironclad discipline, and demanded that every party member accomplish the tasks assigned from above. In the period of socialist modernization, the vertical chain-of-command mode of organization may work in the short run by speeding up economic development. In the long haul, however, it will ruin the economy. Economic activities require a more relaxed social political climate where the economy proper can grow and develop freely. The "rule of law" can satisfy the basic demand of the functioning of the economy proper. As long as it is constitutional and legal, all party members should be allowed to engage in creative work and put their intelligence and talents to use freely. They should internalize the intentions of the higher party organizations and carry them out as their own, not as orders from on high. When a party organization in an enterprise or a cadre blindly follows the instructions of its or his superior without considering the actual conditions in its or his unit, it or he is acting in a passive and lazy way, which encourages the growth of bureaucratism and subjectivism, jeopardizes socialist construction, and gives rise to the "commanding officer mentality." Stalin put party leadership above all else and considered the state machine subordinate. The result was widespread inertia in state organs. We should learn this lesson and change "party rule" into "the rule of law."

2. Change "Organizational Mobilization" Into "Social Mobilization"

"Organizational mobilization" within the party met the special needs of the war years. Mao Zedong said at the time, "Build the branch on the company." The idea was

to facilitate the realization of the party's wishes and the fulfillment of its mission level after level all the way down to the grassroots. This organizational structure as well as its work methods were well suited to war needs, making possible quick organized action to adapt to ever-changing developments in the struggle. In the era of socialist construction, particularly after the economic system is reformed, the construction army is no longer what it was—a military force. It has become a collection of independent and flexible "legal bodies" which must pursue their own interests even as they ensure the realization of the national interest. Thus it will not do for us to rely on "organizational mobilization" within the party alone. "Social mobilization," on the other hand, works through the press, magazines, television, radio, and other mass media to influence and inspire party members and cadres. "Social mobilization" revolves around the party's central tasks while combining them with the actual needs of the unit in question. More and more it has demonstrated its feasibility and practicality. As they modernize steadily, the mass media in society are entirely capable of mobilizing the masses.

3. Change "Vertical Leadership" Into "Regional Leadership"

"Vertical leadership" in the party means the presence of successive leadership levels in accordance with administrative rules. This kind of "vertical leadership" grew out of the need of fighting a revolutionary war. In the age of construction, administrative affairs multiply by the day. This is particularly true in economic departments where more and more specialized bureaus have been set up in the wake of industrial production development and rising product specialization. In the process, "vertical party leadership" has become one part of a dual structure, the other being the administrative system, and party organs have been set up level upon level. Take the economic department in Shanghai, for instance. There are five party leadership levels in all, namely the municipal party committee, departmental party committee, bureau party committee, company party committee, and enterprise party committee. This kind of "vertical leadership" not only gives rise to an army of leading cadres but also encourages the growth of the cancers of "party-state merger" and "bureaucratism."

It is known that the party leadership system in Shanghai has undergone these several changes since the founding of the People's Republic: 1) Party organizations in enterprises and institutions at the grassroots were made subordinate to the district CPC committee. This leadership system, known as "lateral leadership" for short, was in effect briefly in the 1950's. 2) Grassroots party organizations were made subordinate to the party committee at the higher administrative level. This was called "vertical leadership" for short. 3) During the turmoil of the Cultural Revolution, the leadership system was characterized by the merger of party and state. 4) Party working committees were set up as agencies of the municipal

party committee to exercise the power of Class 1 party committees. Examples include party committees on industry, agriculture, and education and public health.

Judging from the practice of reform, administrative companies are gradually being abolished and the power of various specialized bureaus will also weaken. Increasingly enterprise production activities are being guided indirectly by government departments through macroeconomic tools. Thus it is only appropriate for the party leadership system to move away from its "vertical" multi-level structure. Based on past experience, one feasible approach is to put grassroots party organizations under the jurisdiction of the appropriate district party committee. A small number of extra-large enterprises and institutions may be made directly subordinate to a municipal party committee. That aside, all other independent enterprises and institutions should come under the jurisdiction of a district committee. Needless to say, the implementation of this major piece of structural adjustment needs additional feasibility analysis. It should be tested first and then carried out gradually. A pilot project is currently under way in the Minxing district in Shanghai.

4. Change the "Party Committee System" Into a "Party Leading Group" System

There is an essential difference between party leadership and the national regime in various areas including social production. The party is a political organization made up of the vanguard of the proletariat and capable of influencing the actions of the masses around it. The national regime, on the other hand, is an administrative organization that carries out the intentions of the state through its various administrative agencies. This determines that the mission of party leadership is to organize and support the people in being in charge, provide a proper direction for the struggle of the masses, help them understand their own interests, and unite them in fighting for such interests. Party leadership also expresses itself when party members and cadres in state organs exercise power to verify the party line, policies, and principles. Under no circumstances can party leadership substitute or weaken the leadership of the state regime. Past experience has left a profound impression on workers in state organs that the "party committee is higher than the administrative leader." If we are to correct this impression, therefore, we must not only reform the party's work methods, but also make appropriate changes to the nomenclature of party organizations at the grassroots, such as by renaming the party committee as "leading party group." The aim is to help bring about a true "administrative leader responsibility system." The prime responsibility of grassroots leading groups at various levels is to manage party affairs and carry out the work of the party in accordance with the party constitution and party rules.

The functions of the party in the age of socialist construction can roughly be divided into two parts. At the higher levels, the party's function is to make decisions

and lead. At the grassroots, the party's function is to educate and guarantee. The party makes decisions and leads when its Central Committee directly takes part in formulating major policies and principles for the party and state and transforms party proposals into state intentions through the legislative process. Local party committees draw up corresponding policies and principles in light of the Central Committee's line as well as actual local circumstances. The party educates and guarantees when its grassroots committees, namely party committees (or leading party groups) in enterprises and institutions go about their work revolving around the party's central tasks. Their concern is party affairs and activities, not grassroots administrative decision-making. In the era of socialist construction, grassroots party organizations should concern themselves mainly with bringing out the exemplary role of party members, with providing ideological education and organizational discipline education for party members, and with providing training for party cadres. From their position as the ruling party and through correct party policies and principles, party organizations should influence and inspire large numbers of non-party people and develop them into a new generation imbued with communist ethics. They should also absorb new members continuously. At the same time, they should provide intensive training for some party members in various ways to enable them to become experts in a certain field as well as outstanding party members. Only thus can party organizations truly fulfill their mission as a "communist university."

Government, Party Separation Urged at County levels

40050019 Zhengzhou LINGDAO KEXUE
[LEADERSHIP SCIENCE] in Chinese
No 4, 28 Apr 88 pp 30-31

[Article by Li Liang 2621 5328, Deputy Secretary of the Binhai County Party Committee in Jiangsu Province: "Changes in the Methods of Party Committee Leadership in the Counties"] txt

[Text] At the 13th Party Congress, comrade Zhao Ziyang pointed out that "the key to political structural reform is the separation of the party and government." What is the key to the separation of party and government at the county-level, a level in the nation's administrative structure that links the higher and lower levels? We believe that in addition to adjusting the structure of some organizations and work organs and clearly defining the duties of each, the key lies in changing the way county party committees lead. How then should we improve the leadership methods of the county party committees vis-a-vis other departments? I will try to explore this issue here.

In the Use of Power, the Party Committee Must Change From Making Decisions on Its Own to Following the Wishes of the People

On the study of political parties, Marxism holds that a political party should, as a social and political organization, carry out its platform or proposals via the organization that wields political power in the nation. A

political party is not an authoritarian organization that orders the people about. In leading the nation, a party must turn its proposals "into the will of the people via legal procedures." At the county level, the means by which the proposals of the party are "transformed into the will of the nation" is the local unit of the national organization of political power, that is, the county-level people's congress and its standing committee. Thus, after the party and government are separated, the county party committee should first overcome its habit of making the decisions and, with the goal of smooth relations between party committee and people's congress, the committee should strengthen and improve its leadership of the people's congress and in doing so, realize leadership over the nation.

1. The party committees should take the lead in ensuring the implementation of the decisions and resolutions of the people's congress and its own proposals. Looking at important decisions and resolutions passed by county people's congresses in the past as well as rules that only affect the local level, one finds that some of them were the county party committee's own proposals, some reflected the party committee's wishes, while others were first earnestly discussed and approved of in principle by the party committee before being considered, approved, and promulgated by the people's congress or its standing committee. These decisions not only reflect the wishes of the people of the county, they also were what the county party committee wanted. These acts are also an effective means by which the party committee leads the county because they are made with the prior approval of the people. Thus the county party committee must not only practice what it preaches by following the decisions and resolutions of the people's congress, it should also direct subordinate party organizations and the broad masses of party cadres to also take the lead in carrying out the decisions and thereby lead the rest of the people to observe them. In this way, proposals of the county party committee will be accepted by all the people.

2. Make use of the leading party group in the people's congress and of party members and cadres among deputies to the people's congress to ensure that the proposals of the county party committee are implemented. The leading party group on the standing committee of the people's congress can convey to the congress the demands of the county party committee on the work of the congress. Since the overwhelming majority of the members of the departments of the people's congress at the county level are party members, they too can channel the wishes of the county party committee to the congress. According to the provisions of the election law, 60 percent of the deputies to the people's congress may be party members. Thus the proposals and suggestions of the county party committee may be raised by party members directly without the committee itself getting involved.

3. Practice democracy to the full to ensure the implementation of the county party committee's proposals. The party represents the interests of the people. When it

practices democracy, it is better able to reflect the wishes of a majority of the people and even more accurately transmit the party's proposals. Take important personnel decisions, for instance. Although the people's congress makes the final decisions, this rule was not strictly observed in the past. For example, the county party committee occasionally announced the names of cadres it had nominated even before their appointment had been approved by the people's congress. Sometimes the appointment of county party committee members was rushed through without giving the congress a reasonable amount of time to study, examine, and consider them, thereby reducing the resultant vote by the people's congress to a mere formality. The people's congress and its standing committee should be allowed to fully exercise their democratic rights, decide important matters, and appoint and dismiss personnel, in the process carrying out the party's proposals. After party-government separation, democracy in key issues and personnel decisions may be realized in three ways. First, make available as much relevant information as possible in response to a question. Second, before casting a vote, deputies or standing committee members should be given a chance to familiarize themselves with and examine the situation. Third, honor a negative vote.

4. Respect the law and operate in accordance with it to ensure the implementation of the county party committee's proposals. There were indeed cases in the past when laws and regulations were not followed, with leaders instead having the final say. These practices actually interfered with effective party leadership over the state. After a law is made by the people under party guidance, the county party committee must operate within the law. Following party-government separation, the county party committee should preserve the dignity of the law and act steadfastly in accordance with the law. In handling state affairs, it must follow the law closely. In making its own plans, it should not overstep local laws and regulations. Its decisions and resolutions should not contradict those of the people's congress.

Since the 3d Plenum of the 11th CPC Central Committee and especially in recent years, notable progress has been made in broadening the functions of government departments and putting an end to party substitution for government. However, owing to the influence of the longstanding notion of "centralized party committee leadership," the problem of party substituting the government has not been fundamentally resolved. Therefore, we must tackle it in the following four ways:

1. The county party committee should have the courage to assume overall responsibility but without "involving itself in every little detail." No doubt the county committee should take overall responsibility for and exercise leadership over a county's economic and other work. This kind of leadership, nevertheless, should be realized in two ways. First, the county party committee must grasp the whole picture skillfully and concentrate its energies on major policies affecting the county as a

whole. It should focus on policy-making at the macro level in key areas and not concern itself with the nitty-gritty. Second, it must focus on economic work, which is our central concern. At the county level, economic work is a top priority for the county party committee as well as the government. Any project the county party committee undertakes should revolve around economic work. But even as it focuses on economic construction, the committee should not directly involve itself in detailed management or take care of things it should not meddle in. The county party committee needs to exercise scientific leadership to make economic construction a success in cooperation with the county government.

2. It should see to it that everything gets done without, however, "taking the place of the government." The county party committee is duty-bound to ensure that the county government accomplish a range of specific tasks. But to ensure that things are done does not mean that the committee should substitute for the government. Instead, it should do the following. First, demand party organizations at all levels support the administrative leaders of their respective units to accomplish the tasks assigned by the county government. By enlisting the forces in all quarters, the county party committee can ensure that work is done. Second, call on all party members in the county to do their jobs steadfastly. By making use of party members as role models, the county party committee can ensure that work is done. Third, the county party committee can ensure that work is done through regular ideological and political work aimed at mobilizing the enthusiasm of the masses. Fourth, it can ensure that work is done by an all-out effort to publicize the party line, policies, and principles in order to clarify the direction of government work.

3. It should exercise bold supervision while preventing excessive "intervention." The leadership of the county party committee over government work includes constant and effective supervision. Such supervision, nevertheless, differs from that by the county people's congress and its standing committee and includes two additional aspects. First, it should supervise county government work to ensure its consistency with the line, policies, and principles of the CPC Central Committee and with the instructions and demands of the State Council and the government at the higher level. Second, it should supervise party members who work in government agencies to make sure they do their work in strict accordance with the rules of conduct for government personnel and that they make demands upon themselves in strict accordance with the party constitution so as to put an end to all kinds of unhealthy practices including the abuse of public office for personal gains. Following party-government separation, the second form of supervision will become even more important. Yet such supervision is not accomplished through willful intervention in the details of government work.

4. The county party committee must take the initiative to coordinate its actions with the county government

while knowing when to "let go." Party-government separation requires that we enhance the initiative and enthusiasm of the government and mobilize its capabilities and vitality to take over the entire administrative enterprise. It also requires the county party committee to cooperate closely with the government and do a successful organizational and coordinating job. Such coordination, however, must be predicated on giving the government a free hand to do its work. The county party committee must not intervene in the government's overall work plan or limit its freedom of action at will.

Instead of Issuing Orders to Social Organizations, Offer Them Consultative Guidance

Mass organizations and social groups at the county level consist mainly of the Chinese People's Political Consultative Conference, trade unions, the Communist Youth League, the women's federation, and the science association. In the past, the county party committee had limited understanding of these organizations. It issued orders to them most of the time, seldom consulted with them, and treated them as a line or administrative agency, to the detriment of their internal enthusiasm. Accordingly the county party committee must discard its traditional thinking. Instead of regarding the organizations as its direct subordinates to be ordered about, it should fully respect their individual personality and characteristics and allow them to carry out their own activities independently in accordance with their own regulations. County committee leadership over them should take the form of consultation, guidance, and support.

1. Establish a dialogue and consult with them. In handling bilateral relations, a distinction should be made between the leader and the follower. Be that as it may, the county party committee should do its best to put itself on the same level as the organizations. It must not consider itself superior to them. Nor should it give orders to them in everything, not to mention ignore their individual characteristics and undermine democracy within the organizations. For instance, the committee certainly has the most say in recommending leaders for the organizations, but it should also allow their members the democratic right to draw up their own rules and regulations in such a way as to reflect the wishes of the majority. Also, when the committee has an opinion on an organization's work, it can convey it through dialogue and discussion. By working for closer relations with the organizations, it can unleash their enthusiasm even more successfully.

2. Step up guidance and offer them more assistance. Judging from the present situation, the work of mass organizations at the county level is often affected by the most important work the county is engaged in. It should be made clear to them that only by subordinating itself to and serving the central mission can their work appeal to the public and make a difference. Therefore, the county party committee should regularly brief them on the

overall demands of county work, help them understand the objectives of their work, and keep them informed of major developments constantly. The county party committee should help them develop a thorough grasp of the situation at all times, guide them to adapt to reform and the open policy and successfully reform themselves and improve their services, and assist them in reviewing experience and striving to raise work standards.

3. Be concerned and supportive. Because of the constraints imposed by objective conditions, the social organizations often run into all manner of difficulties in getting their routine work done. The county party committee should do its best to coordinate the various parties and help them solve their problems. When they organize an activity, for instance, the committee should ask the party organization at the lower level to offer them support. When an organization is low on funds or has other material problems, the committee should suggest to the appropriate government agency that it be given help, thereby providing it with the conditions necessary for doing a good job.

Proposed Economic, Political Reforms for Western China

40050016 Beijing ZHENGZHI XUE YANJIU
[STUDIES IN POLITICAL SCIENCE] in Chinese
No 4, 10 Jul 88 pp 5-12

[Article by Xiang Dongfang 7309 2639 2455, Wang Dahua 3769 1129 5478, Li Xiutan 2621 4423 3389, Lu Xiaoning 0712 2556 1332, Zhu Zhengwei 2612 2973 1218, and Huang Ming 7806 6900: "Dual Response: Strategic Choices for Political System Reform in Economically Undeveloped Areas"]

[Text] Editor's Note: Unevenness in development is a fact of life in China. Regional differences are an issue that must be faced squarely in our formulation of political and economic development and reform strategies. This issue publishes an article written by Comrade Xiang Dongfang, et al, entitled, "Dual Response: Strategic Choices for Political System Reform in Economically Undeveloped Areas," which, it is hoped, will arouse the concern of all, and bring about an expression of individual views and the initiation of discussion of this issue.

The establishment and perfection of a socialist political organizational structure that is distinctively Chinese (the correlation between the system and authority) is an important component of political system reform. It is worth noting, however, that as a result of much past study about what overall measures should be used in dealing with the reality of uneven development of the country as a whole, when discussing the implementation of political system reform, people may very possibly repeat the historical failing of prescribing arbitrarily uniform solutions that result in setbacks or mistakes in reform. Thus, this study report intends to proceed from realities as they exist in western China, proposing a dual

response concept regarding the political organizational structure while studying strategic ideas for political system reform in economically undeveloped areas.

1. Analysis of the Situation in Economically Undeveloped Areas and a Dual Response Grand Design for Political System Reform in Such Areas

The basic conflict in the traditional system of political organization in China revealed through practice has been as follows—conflict resulting from no separation of Party and government, no separation of government administration and enterprise management, and overconcentration of authority in the rapid development of a socialist commodity economy and democratic governance. We must thoroughly and profoundly understand Comrade Deng Xiaoping's ideas about reform of the Party and state leadership system to bring about a change in the political system from one designed for a revolutionary period to one designed for a construction period, making the overcoming of an overconcentration of authority a long-term historical task in reform of the country's political system.

As regards the economically undeveloped areas in western China, local situations must be sedulously analyzed to find similarities and differences in the macroeconomic situation between these areas and developed areas, and specific strategies must be adopted in response in order to advance toward the goal of economic and social development of these areas, and to complete the vast undertaking of total system reform.

Basic similarities between the situation in the western regions and in China as a whole—a large population and an uneven development—are a poor foundation for progress. These basic national circumstances cannot help but have an effect on reform of China's political situation. The distinctive history and geographical environment of the western regions not only makes the situation there a microcosm of the one existing in China as a whole, but also imbues it with the classic features in development of economically undeveloped areas. The modernization of the region's society, for example, shares four features in common with the country as a whole as follows: The first is a poor foundation to begin with, having a congenitally deficient legal system, a low cultural quality of society as a whole, and a substantial historical accretion of traditional natural economy and feudal patriarchal clan ideas. The second is a large population manifested in a fairly rapid increase in total population, and loss of control over rural population increase, accompanied by a trend toward relative decline in population quality. The third is unbalanced development, the gap between development of the eastern and western parts of the region increasing with each passing year, with corresponding modernization of the Central Shaanxi Plain and the Chengdu-Chongqing areas, and the first evidences of urbanization appearing, while the majority of economic hardship areas are still substantially agricultural societies. The fourth is that for both

the western regions and the country as a whole, as reform of the economic system becomes more pervasive, reform of the political system will also rise in importance. In overall direction and overall policies for reform, economically undeveloped areas will move in step with the country as a whole, and will have to solve problems of an equitable allocation of authority in the pattern of coordination of economic, social and political interests.

There are six main dissimilarities between the situation in the western part of the country and both in the country as a whole and in developed regions of the country. The first is that the loesslands of the west are the birthplace of the Chinese, western Shaanxi, Sichuan, and Ningxia being places in which more than 10 dynasties established capitals. However, as a result of historical, geographic, economic, and cultural factors, the social development of these places has been in relative decline in recent times. The socialism of New China emerged from the womb of semi-feudal and semi-colonial society, and China's western regions have historically been places in which the legacy of feudalism has been particularly strong, and that were directly impelled into a new society from the former capitalism by the great tide of revolution that swept the entire country. Second, development of a commodity economy has been slower in the western regions than in the country as a whole, and in the developed regions of the country. Modern industry in the dual economic structure is mostly a central government-infused "enclave economy," that lacks an integral correlation to the local economy, and in which conflicts between higher and lower echelons of authority are sharp. At the same time, the extent to which the rural economy has been commercialized is very low. Seventy percent of the needy population of the entire country is concentrated in the western part of the country, where 28.57 percent of total population is located. The tens of millions who live below the poverty line in the western part of the country have become an interest group that must be faced up to in economic development and reform of the political system. Fourth, the western regions have plentiful resources. They are major producing areas for the country's raw and processed materials, and primary goods. Longstanding inequities in the price system have meant that large amounts of value (profits) have been transferred to the eastern part of the country as a result of unfair pricing of shipments from the west to the east of energy, materials, and primary products. In addition, the high prices of manufactures returned to the west from the east have conveyed to the east a portion of the profits created in the west. Pursuit of an equitable redistribution of "double profits" in the wake of the development of a commodity economy and price reforms will be bound to have an effect in decentralizing and making more independent the allocation of regional government authority, and in bringing about changes in local government behavior. Fifth, the backwardness of the western region's modern civilization has caused the transformation of political and cultural concepts in the west to lag far behind those of the country as a whole. In western regions, consciousness of the authority of the

citizenry, and awareness of participation in government is rather weak. In backward regions, "democracy" frequently carries a connotation of blood relationships and the patriarchal clan system. Sixth, in some western provinces and regions, such as Shaanxi, reform of the economic system has developed slowly. Rural reform there is 3 years behind the country as a whole, and in urban reform, promotion of the plant manager responsibility system, contracting of operations, and the leasing system have also come later than for the country as a whole. In short, a regional analysis of the level of development of social production shows the western region as still being at a fairly low level in the first stage of socialism in China.

However, the lag may turn into an advantage. These regional situations may serve to condition, to redirect, or to advance reform of the political system in economically undeveloped areas.

Developmental economics and the study of contemporary organization maintain that the more backward a country or region, the greater the need to make the most of the political organizational role of government in its progress toward modernization. At the same time, one conclusion may be derived from a comparison of Japan's and South Korea's development strategies, which is that the economic takeoff of undeveloped areas requires political system reform for concerted support; however, special actions for dealing with the situation in western China that differ from those of developed areas must be instituted. Government political and administrative intervention in the economies of these two countries was much greater than in most western countries, and this intervention took place in both macroeconomic and microeconomic areas. This intervention was exercised either directly with regard to investors and producers, or was exercised indirectly through various measures intended to influence decisionmaking on the part of the private sector. Between Japan and South Korea, the degree of centralization is higher in the latter. This "hard government" political organizational structure is rational. In the real world of today, a pure market system obviously does not exist. Governments use economic and political methods such as plans, administrative directives, and tax collections to gain effective possession and distribution of society's resources, and they are able to exercise major influence on all economic organization within the country.

If one says that the basic orientation of economic system reform is expansion of the commodity economy mechanism, one may also say that the basic orientation of government system reform is expansion of the democratic political mechanism; however, the latter is more difficult to realize than the former, and it requires travel over a not very short and arduous route. Expansion of the democratic mechanism requires a combination of delegation of authority, democracy, and liberalization, with deftness in the "degree" of delegation of authority

being extremely important. If delegation is not done well, going too far being just as bad as not going far enough, social turmoil that is even worse than economic disorder may be aroused.

The disparity that exists between the backwardness of the western regions and the developed areas of the east cannot but generate an important influence for reforms, but the realization of democratic politics must be founded on a commodity economy. This is to say that expansion of the mechanism of democracy has to be linked to social productivity. Developed areas make full use of available economic and cultural strength to enable their political systems to be instituted logically under impetus from prior economic development and economic reform. However, the western regions, which are currently still at a fairly low level in the first stage of socialism, lack such necessary conditions. In a situation of economic and cultural undevelopment, and retarded economic reform, the west is unable to adopt lines of thinking to be carried out in step with the reform of the political system in the east. The western regions have to go through a transitional stage at a general level from the fairly low level of the primary stage of socialism. In addition, development is also extremely uneven in individual parts of economically undeveloped regions; however, overall, they all have the numerous features of undeveloped societies, and both the nature and emphasis of their reforms are not entirely the same as for the eastern region.

It is for these reasons that we have to proceed from realities and not act with "arbitrary uniformity." We must consciously undertake the historical tasks that need to be completed in reform of the political system in economically undeveloped areas, using methods that differ from those used in developed areas. We must break down historical tasks into stages on the basis of priorities, advance in an orderly manner item by item, and strive to explore complementary reforms. In other words, not only is it necessary to carry out basic policies set for the country as a whole in reform of the political system in economically undeveloped areas, but special measures applicable to the situation must also be carried out. In the course of economic system reform during the past several years, the central authorities have formulated some special policies with regard to the west. Results have been very good in some cases; in others, nothing noteworthy has been achieved. Inasmuch as the disparity between west and east is increasing, special policies should be further reinforced and perfected. We feel that special does not mean the same things as making allowances. Special should be genuinely expressed in the principle of suiting general methods to local conditions; thus, special should mean moving ahead. By the same reasoning, in the course of political system reform, the western regions should also institute some special policies of their own. In this way, the central government would formulate two sets of co-existing pertinent policies toward the west, and the west would also institute two sets of co-existing policies for its

own areas where development is uneven. This is our "dual response" concept. At the heart of this concept is both the need to foster democratic institutions and to make use of them, and also to emphasize making the most of the role of "hard government." In the allocation of authority within the political organizational structure, and in the operating mechanism, government's post-reform ability to intervene should be relied upon to promote and expand reform from top to bottom. Marx's idea of "small government" had as its historical premise a highly developed socialized and modern economy, which is a tremendously different situation than the one existing in the western regions. Consequently, we do not agree with the idle dream of instituting "small government and a large society" in the western regions.

Modern political science and organization theory make clear that each level of the political structure is an organization that separately reflects social division of labor and internally existing conflicts of interest. Government actions are not always rational; decisions are the result of a series of clashes, discussions, and compromises among various forces. The political organizational structure of economically undeveloped regions of China inevitably contains the numerous features and shortcomings of undeveloped societies. In designing and evaluating the efficacy of reform actions, only social productivity can be the standard. Some people fear lest such a course may make the western regions more backward, but we believe that the whole basis for the "dual response" is to hasten the pace of the west's rise. If the local situation is not taken into consideration, rash actions taken on the basis of feelings, and headlong efforts made to achieve speed, political system reforms of the same kind as those in the eastern part of the country being pushed prematurely while economic reform is still languishing, very likely haste will make waste. Historical lessons learned in the course of several decades of socialist revolution and construction about impatience to succeed have taught us that narrowing the disparity between the eastern and western region will require solid completion of transitional preparations. It should be pointed out that the "dual concept" is a transitional measure. Once conditions are ripe, the west can move ahead to carry out reforms at the same pace as the east, and institute a single policy. Since the "dual response" is a strategic idea that proceeds from the situation in the region, acknowledgment of the situation in the region and changing the situation are our watchwords; therefore, this response is not only active, but also truly feasible. History will verify that only when reform of the western region's political system is conducted in a rational, steady, and innovative way can it be most suitable and most likely to achieve success, can there be genuine maintenance of a high degree of unanimity with central authority, and can there be optimum expression of local government authority.

2. Dual Response in Provincial Political System Reform

The role of provinces as part of the Chinese local governing system began in the Yuan dynasty and developed during the Ming and the Qing. This imperial

political organizational structure, which was based on a natural economy and held together by blood relationships and villages, embodied control over regions by a central government possessing highly centralized authority. The dual power status of the provinces directly served imperial authority. It represented the interests of central authority, and it possessed analogous functions, structure, and behavior. This was its main aspect. It also represented the local area; it was nominally the supreme administrative organization for local interests. This was its secondary aspect. The position of the provinces between central authority and the grassroots enabled the feudal authority to coordinate from top to bottom, reinforced state domination, and insured a unified domain under the Yuan, Ming, and Qing dynasties. In recent times, the role of the provinces has waxed and waned with changes in the degree of centralization of central government authority to become an important feature of the Chinese political organizational structure. Following the founding of the People's Republic, we continued to use the pattern of a division of administration between central government ministries and provinces. This pattern has played an active role in the building of socialism in China where the basic foundation is poor, the population is large, and cultivated land is scarce.

Modern industrialized societies are, to a very great extent, urban societies. China's socialist modernization is bound to follow the great trend toward urbanization. During the past 38 years, tremendous changes have been taking place in the social structure in the natural economy on which the provincial system depends for its existence. Guided by the general policy of reform, opening to the outside world, and enlivening following the Third Plenum, and with swift advances in the commodity economy and reform of the economic system, China's developed coastal provinces have gradually formed network style economic zones centering around large and medium size cities, and supported by small cities and towns. A new mode of power allocation centering around cities has begun to break down the existing pattern of a division of authority between central government ministries and provinces, raising a serious challenge to the province system. A string of cities including Shanghai, Wuhan, Chongqing, Shenyang, and Guangzhou are in process of freeing themselves from the shackles of provincial boundaries, and increasingly bringing into play the leading role and the diffusing function of core cities. In quite a few provincial capitals, a situation has arisen of provinces and cities standing up to each other as equals. Without doubt, the rise of Zhuhai, Shenzhen, and Hainan Island will result in a sharing of power with Guangdong Province. Not only do the special economic zones, the coastal cities that have been opened to the outside world, and the coastal open zones hold new economic significance, but a new and not readily withdrawn administrative position as well. In short, a trend toward "weakening" of administrative authority at the provincial level exists objectively in developed areas.

We forecast that the basic line of thinking in future central government setting of new relationships between central and local jurisdictions will follow an enlivening of core cities and the opening of large enterprises, a gradual curtailment of administrative authority at the provincial level, and an augmentation of the authority of core cities and large entrepreneurial blocs (that is not limited to economic administrative authority). For example, such a trend can be detected in separate plan reforms for core cities and entrepreneurial blocs that are now in process of being promoted. Doubtless, such a line of thought is consistent with the correct choice of modern socialized large scale production.

In underdeveloped western regions, however, a different tack has to be taken. The west is a vast area inhabited by numerous nationalities and having little transportation. Imbalance exists in the economic development of different areas. Consequently, there is a relative need for the continued existence of a social structure that includes the provincial system, whose authority and functions may still not be weakened. If one says that the traditional provincial system is, in a certain sense, a shackle on coastal economic development, for China's western provinces it is a necessity on which socio-economic and political life relies for support. For this reason, provincial authority and administrative functions should be suitably reinforced through reform so as to spur the western region's mixture of a natural economy and a semi-natural economy in the direction of becoming a commodity economy as quickly as possible. If no distinctions are made between the way that the east and the west are handled, and western provincial authority is weakened prematurely, causing provincial organizations to loosen administrative control, this could possibly bring about economic chaos and loss of control over political and social stability. A vacuum would not help an economic takeoff by undeveloped regions of the west that have no navigation equipment. Furthermore, there is also no need to have markets in economically undeveloped areas grow spontaneously, and go through a very long and tortuous free commodity economy stage, and then form a complete, planned commodity economic system. This would lead to a dramatic widening of the gap between the development curves for the east and the west, and conceal hidden perils for both future economic rise for the country as a whole and political stability.

Reform has brought about a quality difference between the prevailing province system and the old style province system. The most important difference has been a blurring of the boundaries between the main and secondary functions in the provinces' dual identity. As the main representatives of local economic, political, and social interests, the local role of provinces is even more prominent, outshining their position as the supreme state appointed local executive authority. "Only invigoration of the local economy and social development can be regarded as maintaining a degree of unanimity with the central government" has become the view of some leaders. Such a view is strongest in the east, but rather

weak in some provinces and regions of the west. This demonstrates from yet another angle that a "dual response" should be adopted strategically in reform of regional organs of state political power. The authority of provinces should be weakened in developed areas, and the authority of provinces should be properly strengthened in economically undeveloped areas. The strengthening of provincial authority in undeveloped areas should include the following:

First is delegation of authority to provinces by the central government. When formulating policies, the central government should provide special policies for western economically undeveloped provinces under guidance of overall plans and overall policies. In particular, it should provide full "blood making" authority, enabling economically undeveloped provinces to suit general methods to local circumstances on the basis of local political and economic realities for relative independent development. The central government's delegation of authority should be to the primary level of the province. The primary level in provinces should have increased financial authority and administrative examination and approval authority. Profitable industrial sectors and enterprises that have already been built in western regions should, in principle, be placed under provincial control at the primary level. In this regard, the central government should change its policy of "taking from the thin to help the fat." The central government should also give western provinces and regions authority to approve the establishment of small cities (changing counties to cities) without the need to apply the national requirement that such cities have a non-agricultural population of 100,000 and an output value of several hundred million yuan in order to qualify. "Breaking the rules" should be permitted to accelerate the urbanization of the west. The western provinces should also have the authority to set up economic zones under control of the province, and authority to engage in external economic relations. It should be pointed out that the west has limited strength, so central government granting of concessions and delegation of authority, as well as providing other consideration will not result in the creation of duchies or princely realms, and provincial boundaries will not become "national frontiers."

Second is a strengthening of government work functions. Such a strengthening does not mean the traditional provincial administrative control, much less an expansion of the number of commissions, offices, departments, and bureaus, or the limits of their authority. It does mean drawing on their power to formulate industrial policies, and on their macroeconomic control authority to open avenues for development of a commodity economy. Therefore, simultaneous with a strengthening of provincial authority, provincial government work functions must be broken down and changes in them spurred. Most important is to make provinces serve as government representatives of state administrative authority separate from their function of exercising the sharing of benefits in their capacity as local

owners of the state economy. The former administrative authority entails a leadership role, in accordance with the principles of developing a commodity economy, of providing coordination, service, guidance, adjustment and stabilization for the all around development of the whole province's economy and society. The latter authority to share economic benefits entails the use of laws to clarify the limits of property rights of provincial financial institutions with regard to enterprises. In their capacity as owners, provinces would have authority to support, superintend, and share in the distribution of earnings. In order for provincial authority to be centralized, committees, offices, departments, and bureaus might even be retrenched or merged to reduce intermediate links. Certainly, provincial governments should not apply administrative authority to protect their monopoly positions, much less should they be able to take part in enterprises' short-term profitable activities, or become servants. The important thing is for them to build an environment for equal market competition, using their authority to pattern regional economic productivity, and their authority to formulate market regulations to channel entrepreneurial activities in the direction of long-term, benign development. If the west is to get out of its backward situation, provincial unified leadership will have to be strengthened, and provincial governments will have to function in advancing and guiding the commodity economy and market development, moving from administrative control toward administrative coordination. Safeguarding of the commodity economy's new order now extends across regions, across sectors, and across systems of ownership in very rapid development, and there are numerous conflicts between new and old systems; therefore, establishment at the provincial level of an authoritative coordination unit is needed.

Third is the matter of how best to handle the allocation of authority among the provinces, the prefectures, (or municipalities), and counties (or districts). First of all, in the economically undeveloped regions of the west, where there is a lot of space and scant population, the echelons between the province and the counties—administrative offices (including the autonomous zhous in minority nationality areas)—are extremely important. They should not be weakened, but strengthened. However, this does not mean an expansion in the size of government organizations, but rather a change to the strengthening of administrative work functions to promote the formation of economic zones in a region centering around cities. Once the economy has developed to a certain stage, the superfluous intermediate link of administrative offices may be eliminated, giving way to a new system in which cities administer counties. A "dual response" may also be adopted in this regard. In fairly well developed regions where conditions have matured, administrative offices can be dissolved so that the the system in which cities administer counties can operate to the full in bringing about the integration of cities and the countryside. In economically undeveloped poverty stricken areas, however, regional primary level

administrative organizations will have to be retained, and then county authority will have to be increased and bolstered. County administration and the natural economy go hand in hand. So long as rural villages and a large rural population continue to exist, counties have a reason for being. In the economically undeveloped western region, county authority should be increased and strengthened. However, the goal of such strengthening is not to safeguard the natural economy, but is to transform the urban natural economy and develop a commodity economy. The function of new county level political authority (including district government authority within cities) should be as follows: to reinforce government's function in sifting information and promoting its application, government becoming an economic information center; and to reinforce government's strategic research function, government becoming a hub for channeling technology, the circulation of commodities, and personnel. Consideration should be given to revising the law to omit the establishment of provincial people's congresses and people's political consultative congresses at the county level; and the role of the aforesaid county (or district) level government in the government policy making system should be strengthened, making it, in principle, like that of prefecture administrative offices. In the future, there should be an increase in prefecture and county information services and advisory functions, and in strategic study and policy making functions as well, while retaining needed direction and coordination functions. More democratic and more scientific policy making should serve as a springboard for gradual establishment of a modern prefecture and county level political, economic, and social policy making mechanism for which the provincial government will also have to delegate corresponding authority.

Province, prefecture (or municipality), and county (or district) political organization reform will have to be done in conjunction with economic system reform, the orientation of these reforms being to resolve the dual capacity of local governments and a separation of functions, namely a separation of the main body of government administrative authority from the main body of property under the traditional system, with a separation of government functions in control over the regional economy, and enterprises' control functions. However, in order to advance this process of separation, there has to be a corresponding strengthening of the authority of government units in backward areas. This is an indispensable transitional measure. Such a present temporary strengthening would be for the purpose of future weakening.

3. "Dual Response" in the Urbanization of Backward Areas

After the central authorities approved reform of the city-administered county leadership system in 1983, a large number of provincial level key cities gradually came into being and played an overall function in the organization of society, politics, and the economy of

surrounding areas. However, because of the effects of objective conditions such as economic strength and cultural traditions, a very great disparity arose between the eastern and western regions in the degree to which key cities carried out this organizational function. Within the short 4 year period between 1981 and 1985, the disparity between east and west virtually doubled. Among the various reasons causing retardation, the tendency for development of key cities in the northwestern region to be moderate and to tend to lag behind the east must be said to have been an important one. Under the old system, Xian, the northwest's economic and political center, ranked among the 10 largest cities in the country, yet 9 years following reform the gross output value of Xian's industry had slipped to twenty-third place. The development of such a situation was closely related to the huge disparity between their ability to withstand and their ability to adapt to the shock waves of reform, which stemmed from the effects of various historical factors on the two kinds of key cities in the east and the west. Therefore, it is necessary to consider institution of a dual response in the process of accelerating urbanization in economically undeveloped regions. A dual response for urban reform in economically undeveloped regions means two things. First is that key cities trying to modernize through infusions from the outside cannot mechanically apply the forms of development used by coastal cities that developed spontaneously. They have to begin with reform of the political system, rationalize the relationship between provincial authority and city authority, and rely on key economic factors and key political factors in the province to develop large cities so as to be able to energize several counties and advance the formation of a city and town network system. Second, while retaining some provincial administrative office organizational systems in some backward areas, and experimenting with system reform plans for having medium and small key cities energize a few counties in fostering the growth of economic zones, it will be necessary to abolish echelons in between such as street offices under city administration in both responses in order to prevent key cities from following the old way of thinking, the old provincial "turf" becoming city "turf" in a new guise. Separation of the dual government functions of key cities must also follow the aforementioned line of thinking for the separation of provincial powers, the relationship between property rights and political authority being made clear in the process of reform. Enterprises that the central government and the provincial government have turned over to the control of governments at a lower level cannot be allowed to become the appendages of key city governments or even of street offices.

Some comrades have pointed out that direct central government control of a number of large cities helps make most advantage of the role of medium and small cities. This may be feasible in the east; however, promotion of such a concept in the west would actually mean a strengthening of the line of thinking that calls for vertical control directly from the top, which is not in keeping

with modern socio-economic and political decentralization of decision making, and the trend toward a diversified political organizational structure. In addition, in view of the situation in undeveloped areas, direct administration of large cities by the central government, or an increase in the number of cities directly subordinate to the central government, is not beneficial for the development of economically undeveloped areas. This would be resort to a drastic measure to deal with the situation, or killing the goose that lays the golden eggs, and would be bound to remove a basis for backward areas to take off. They would become Bermuda Triangle areas not having the reserve strength needed for development, their political situations lacking stability, and their economies dependent on relief. Only by relying on existing large cities, the development of future cities, and taking the path of an integration of cities and the countryside into an organic whole can economically undeveloped areas leave poverty behind and move toward prosperity. The primary task for economically undeveloped areas today is to use political system reform to smash the barriers produced by "vertical control lines" so that the function of key cities themselves may be brought into play, and go on to create conditions for solving conflicts among "lateral jurisdictions."

Problems will also arise in economically undeveloped areas of the west if administrative directives are used on a large scale to bring about the merger of prefectures and cities. The non-agricultural population is not very large in some cities, and their economic strength is limited. They provide much leadership to counties, but at a cost in developing the city and the counties. We have considered the following several points in designing an ideal system. First is to start from an economic and social development strategy for the provinces, establishing in counties already possessing (or potentially possessing) the strength for economic development of a number of cities having county status with responsibility for bringing one or two counties along, thereby increasing the number of medium and small size key cities. Administratively, such cities could currently be under jurisdiction of the prefecture or of cities having the status of a prefecture. At the proper time, as their development warrants, their status could be raised. Second, the location of existing county and town administrative offices could be changed from the county to a city, and there should be plans for the exploitation of resources and the building of distinctive small nuclear cities around coal mining, non-ferrous metals, heavy chemical industries, tourism, and the collection and distribution of commodities. Third, a dual track system should be instituted in the province, prefecture (or city), and county system. By this is meant the institution of a social control system that overlaps key city economic areas and the former regional administrative zones. In this regard, the parallel prefecture and zhou systems that existed between a province and its counties during the Ming and Qing dynasties may be used for reference. The zhous, which were under direct provincial jurisdiction at that time, administered the counties, and were in charge of county

affairs in the county in which the zhou was headquartered. The prefectures administered counties too, but they were not in charge of county affairs in counties in which they were headquartered. Key cities with prefecture status and the former prefecture administrative offices could co-exist today between the province and its counties. Cities with prefecture status, having great influence over surrounding areas, would lead counties and be in charge of work in the administrative region. Currently, areas having little influence on surrounding areas lead counties; however, they do not directly administer government affairs in cities having county status where they are located. Instead, they switch to being included under province jurisdiction.

Development of exceptionally large cities in economically undeveloped areas will also have to proceed from realities. Today, Shanghai and Guangzhou are key coastal metropolises; Wuhan and Chongqing are major cities along the Yangtze, and Xian and Lanzhou are key cities along a railroad (the Longhai Line). However, if we examine matters just a little bit more, we will easily discover a situation of incremental decrease from north to south in the development of productivity in these three groups of cities. This is an objective fact, and it is also an objective pattern. Additionally, data in our possession also show disparities in the functions of government in these three different groups of key cities. The basic pattern is one of commerce in the south and industry in the north, meaning that city governments in the south emphasize the commodity economy market mechanism, while, because of perplexities in their product economies, government in the north focus their attentions on not giving latitude to enterprises. They are constantly thinking about how to get several enterprises for their own cities that can produce profits up the vertical chain of command. Therefore, we recommend that during political system reform of exceptionally large cities in economically undeveloped areas that stock share system reform make clear that the central government, the provinces, and cities as representatives of property rights and interests for state-owned property not be permitted to delegate their responsibilities downward. When provincial governor control over enterprises is wrong, mayor's control over enterprises will also be wrong. The main responsibility of mayors is to administer cities, to administer markets, and to administer regional development strategies. Reform should bring about a transformation of these functions.

Nowadays whenever there is a discussion of political system reform to make the most of the function of cities, some comrades still propose making street offices into entities having political authority, and some people suggest revisions to the constitution in order to do this. We believe that in the urbanization of economically undeveloped areas, such ideas have nothing to recommend them. Another echelon means more expenditures. Constant cutting up of the "turf" to create new small pieces is likely to sever the simple and rational lateral relations existing in economic areas, or to make them

complex. This is the bane of development. Though street offices are currently doing many fine deeds; nevertheless, they are also taking on many functions for which their responsibility is not clear and that even violate the constitution. In addition, they have become one of the main bodies making exactions from enterprises. This is not beneficial for urban development. Consequently, we suggest that reforms set the stage for step-by-step elimination of the street offices that evolved out of people's communes. In place of them, various organizations such as civil government offices, municipal government offices, price offices, industrial and commercial offices, environmental sanitation offices, tax offices, and public security substations should be set up or strengthened to take care of various of their responsibility. The work of these organizations of state power would, without exception, be under vertical control of units in charge at a higher level. The work of residents committees would be phased over to the residents self government system. Even more, street businesses should return their ownership rights and business rights for an accelerated departure from the "commune large common pot." County (or district) Party Committee agencies could be set up in response to reform of localized control of Party relationships; however, status as "an agency" for the administration of Party relationships must be detached from economic and government work.

4. Dual Response in Reform of the Cadre System in Economically Undeveloped Areas

In a certain sense, the greatest bottleneck in reform of the development of economically undeveloped areas and reform of political system development is the cadre system. Confronted with the reality of retardation, we must make fullest use of the golden opportunities for reform created by the 13th Party Central Committee, applying political power in the process of reform to take the lead in carrying out reform of the political system, and to reinforce social organization and control in order to set the stage for development. Development and prosperity in economically undeveloped areas relies particularly on political system reform. The quality of the cadre corps in a region, and how to improve and make full use of its achievements, as well as the ability to move outstanding cadres into positions of leadership at all levels have become the crucial propellers determining the speed of economic system and political system reforms within regions.

The combination of undevelopment and a retarded cultural frame of mind existing in economically undeveloped areas leads to a poor environment for the rise of talent within such regions. The reality today is little movement of cadres within a region, and the local people tending to matters of immediate concern to themselves, which makes it difficult to avoid the shackles of kinship networks. At the same time, the commodity economy is not developed, and employment opportunities are extremely few in poverty stricken border regions, with the result that enlistment as a cadre becomes the sole

channel for employment and source of benefits. Such a state of affairs very readily fosters growth of ideas about special rights and corrupt practices such as abuses of authority for private gain, while the outflow of talented people becomes daily ever more serious. This vicious cycle of a broken chain of human talent must be destroyed, and a dual response line of thinking must be used to reconstitute a chain of human talent.

First, two sets of responses are needed regarding the limits of cadre control authority. Cadre control authority has to be properly delegated, provinces, cities, and counties in economically undeveloped areas all having cadre control authority, and striving to match people to the management of affairs. At the same time, in view of the combination of a lack of people and idleness that exists at the same time in economically undeveloped areas, provincial units in charge of cadres must maintain overall unified authority throughout the province in matters of control, assignment, hiring, and firing of cadres. In both the delegation of cadre control authority and maintenance of unified overall authority within provinces, some specific policies will have to be formulated innovatively. The focus of reform should be on improving the environment for talented personnel and on creating the social conditions that are conducive to the emergence of talented people. For example, the conflict of interest system should be enforced to spur cadres to move laterally. Cadres who should be urged to leave a position because of a possible conflict of interest should include those in charge in county level Party committees, government, people's congresses, and leading cadres in key departments in order to break up the super stable structure of kinship ties in the cadre corps. As another example, the three year term of county level cadres should be made flexible (through changes in the law) in order to change the unhealthy situation currently existing among county level cadres in poverty stricken regions of cadres spending their first year cultivating contacts, working the next year, and devoting themselves the following year to securing votes for their next assignment. A new system of change in assignment once every 5 years is recommended.

Next, two sets of responses should also be applied to the cadre promotion system. The orientation of cadre system reforms should be a gradual reduction in the scope of the appointment system, and an increase in the scope of the election system. However, inasmuch as democratic institutions have not developed well in economically undeveloped areas, the principle of co-existing appointment and election systems will have to be maintained. A review of world history produces the following conclusion: Democratic governing organizations may be produced through elections or through committee appointments, but dictatorial governing organizations can likewise come into being through either an election system or an appointment system. The issue is whether the balloting mechanism and the committee appointment mechanism genuinely represent the will of the people. Just as information can lack credibility when

money "votes" in the marketplace to make social choices, a lack of belief in information may also exist when political organizations cast ballots to make social choices. Distortion of cause and effect is a common occurrence. Therefore, we believe the election system should be paramount in areas in which democratic institutions are fairly well developed; however, in border region backward areas and units, assignments and appointments must continue to be made following strict standards in order to overcome the poor environment for the development of talent and the limitations of patriarchal clan notions in the selection of personnel, as well as to guard against the anomalous situation of second rate people at a low level electing high level officials. However, the appointment system also has to be founded on a democratic legal system. Necessary legal procedures and effective supervision must be applied to prevent a small number of leaders imposing their individual wills over the will of the people. This entails the institution of necessary rigorous strictures on standards for cadre appointments (including age, education, and career achievements), and making decisions in accordance with rules and regulations. In the election system and the appointment system alike, the system of public examination and public observation of cadres prescribed by the central government must be maintained in the selection of cadres. A two-thirds veto system is recommended. For the position of deputy in administrative organizations, the leading cadre should make nominations. If the people's congress vetoes the nomination the first time, the leading cadre may propose reconsideration, and unless more than two-thirds of ballots veto the nomination, it will pass. However, there must be openness in the "recommendation" process. Fact-finding data from the recommender and organizations concerned, together with letters of recommendation must be made public to the standing committee of the people's congress concerned. Should an official who has been recommended and appointed be dismissed because he should not have been recommended in the first place, responsibility is to be fixed on those making the recommendation and the organizations concerned.

Next, two sets of responses are needed regarding the scope of cadre selection. Careful attention should be given to locally selected cadres, and cadres should be sent to developed areas to work and study in order to improve their quality. Even more important is the demolition of the old regional and occupational patterns, outstanding personnel having leadership qualities being selected widely from society as a whole, particularly from entrepreneurial units and scientific research departments. The source of our country's cadres cannot be like it was in feudal society. All officers must be scientifically selected and be centrally assigned under the centralized authority of the central committee; nor can cadres be assigned to duties the way they were in the period immediately following founding of the People's Republic when cadres in all regions and all units came from all parts of the country and had been tested through experience. Nevertheless, unless a decision is made to

strengthen the system for "changing blood" in the cadre ranks of economically undeveloped areas, the backward provinces may drop farther behind. However, when bringing in cadres, attention should also be given to handling well relations between those brought in from elsewhere and local talent. There can be no distinctions between those from outside and those from the local area; there must be equal competition throughout, selection of the best, and making arrangements that take all factors into account. In this connection, we suggest that cadres should be selected from large enterprises to go to prefectures and counties to run the economy, and that cadres should be selected from institutions of higher learning to go to prefectures and counties to supervise science and technology. Peasant entrepreneurs should be selected to go to several state-owned enterprises to ply their skills. It might even be possible to test and hire some cadres who had been displaced in national reforms to go to the west to work, and it wouldn't hurt to bring in several "foreign plant managers."

Finally, there should be two sets of responses in carrying out reform of the cadre system. We must certainly be circumspect in the course of promoting cadre system reform. In an overall sense, the selection of a steady forward moving response is correct. However, we must also be consciously aware that economically undeveloped areas are not in the same race as developed areas. Others may benefit from a fine environment that fosters talented people from which they may attract people for their own development, and realize the "four modernizations" of cadres. During the past several years, other provinces and regions have produced quite a few outstanding cadres who are renowned throughout the country, and have exported skilled people for the central government, but the direction of flow of our skilled personnel is not upward, but rather scattered all around like a pot of boiling water. This falling behind is even more apparent than during the period immediately following founding of the People's Republic when Shaanxi was the main source for export of cadres throughout the country and for the central government. Consequently, we must use the favorable circumstances for this development that the Thirteenth Central Committee affords to carry out courageously a surpassing cadre system policy. The emphasis should be placed on improving the environment for the fostering of talent, improving the social conditions that help talent emerge. Therefore, reform of the small scale farming mentality, patriarchal concepts, and all outmoded conventions and bad customs must be carried out, bearing down hard on ideological education and changing ideas.

History tells us that between one region and another it is normal for there to be replacements and shifts between the advanced and the backward in the development of society. Lack of development is, in itself, a kind of advantage in that the value added through reform of economically undeveloped areas is greater, and the central authorities show greater concern for backward areas. The real burden that backward areas carry in surpassing

the advanced is also lighter. Backward areas have a sense of crisis, and they also have correct reform policies, and there have been numerous examples in history of backward areas having become advanced. We earnestly anticipate that the entire western backward region will be able to benefit from the east wind of the 13th Central Committee and the coastal region's development strategy to pioneer its own road through the seeking of truth in facts. The vast northwest that has yet to be developed holds even greater hope.

Democracy in Mao Zedong Thought

40050035b Beijing LILUN XINXI BAO [THEORY INFORMATION] in Chinese 18 Jul 88 p 2

[Article by Xiao Yanzhong 5618 1693 0022: "Mao Zedong Is a Non-Believer in Democracy"]

[Text] As far as Mao Zedong's democratic theory is concerned, what merits attention are certain of his core ideas, some of them theoretically inconsistent with one another. For instance, concepts like "people" and "masses" bear some analysis.

Needless to say, the people or masses are endowed with supreme metaphysical importance in Mao Zedong's political philosophy. He once compared people to "god" and insisted that they were the master, creator, and the motive force of society and history. He even placed "trust the masses" before "trust the party," making it the senior partner of the "two basic principles." Thus, we can see the position and importance of the people in his philosophy. However, the problem is that no matter how elevated a position the people occupy in his thought, it remains an abstract. The idea of the people has never been clearly, consistently, and scientifically defined. The people have abstract rights but tangible obligations. They are not individuals in a complete sense.

In Mao Zedong Thought, the people are related to ideals. That is, the people are seen as the forces for realizing the ideals, whatever the latter may really consist of. Clearly, ideals themselves conjure up a picture of the imaginary future. In principle, ideals are also an abstract. Since this kind of abstract ideals is not the ideology of any individual, they can only be activated by the masses. Thus, the people and ideals become the two ends of a relationship and cannot be severed.

In the real world of politics, however, a vacuum obviously exists between the abstract of people and the abstract of ideals. An intermediary is needed to truly connect the two—a political authority figure. Mao Zedong considered himself well qualified and capable of playing this role and leading the people as their representative to the other shore.

Hence, the three permanent elements in Mao Zedong's democratic theory: first, people; second, self; and third, ideals. The two ends are abstract, while the middle is

concrete. Superficially he seemed to work for the realization of the two ends. Subconsciously he pursued self-realization. On the theoretical level, this is one reason why Mao Zedong was a tragic figure.

Chinese Democracy As Anti-Elitism

40050035c Beijing LILUN XINXI BAO [THEORY INFORMATION] in Chinese 18 Jul 88 p 2

[Article by Jia Xinmin 6328 2450 3046: "Democratic Concept Unique to China Impedes Democratization"]

[Text] I always feel that we have overlooked a major fact in our discussion on democracy, namely that a very unique concept of democracy has taken shape in China in modern times. This concept is a mixture of the "emphasis on people" in traditional Chinese culture, early Western democratic theory centered on natural rights, Marxism, and Russian populism. Its outstanding feature is that it deifies the masses (commonly referred to as the people) and pursues pure and absolute rule by the masses. The formation of this democratic concept is historically inevitable and rational, but as a theory of general application, it has produced the following results: 1) A diffused abstract concept, "the people" militates against the development of independent consciousness and lacks operability in the real world of politics. As a result, society comes to be ruled by a group or even an individual who appoints himself as the representative and realizer of the community's interests. This runs counter to the objective of democracy. 2) It often entails the exclusion of classes who are well equipped for political participation in terms of their sense of independence, political sensitivity, political ability, and education; in other words, the "elite of society." The unavoidable result is a decline in the ability of society to make choices, leading to social backwardness, stagnation, and regression. 3) Even as they are deified, the masses lack the ability and are denied the opportunity to participate in politics in real life. Their resultant pent-up anger often leads them to pursue a kind of democratic utopia that usually recognizes no authority. Accordingly a democratic movement based on the masses is socially extremely destructive, not constructive. The impulse to destroy, moreover, is often harnessed to suppress and stifle the political participation of the elite, particularly intellectuals. This strand of democratic theory is actually a kind of anti-rationalism and anti-intellectualism, an anti-social idea that is anti-democracy and stifles the elite in society. It is the major ideological source of the swings between autocracy and anarchical chaos China has undergone in modern times despite an endless call for democracy in society.

Our reform is at a critical juncture, a time of constant social turmoil and weak social cohesiveness. During this period, if we lack a healthy, rational, and constructive democratic concept that can help form social stabilization mechanisms, then the effort at democracy would only result in the collapse of the social structure and social upheaval, which will do nothing to bring about

modernization (including political modernization). In our theoretical research in the past, we were well aware that democracy was absent from traditional Chinese culture. Yet we overlooked the impact on democratization of this kind of democratic concept, which is unique to China and deeply embedded in our consciousness. This oversight may well make us go astray in our pursuit of democracy, thus totally forfeiting our chance at national modernization.

Legal Issues Arising From Political Structural Reform

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[STUDIES IN POLITICAL SCIENCE] in Chinese
No 4, 10 Jul 88 pp 1-6

[Article by Zhang Youyu 1728 0645 3342: "The Political Structural Reform and the Government's Work On the Legal System"]

[Text] The necessity and urgency of political reform, the objective of the reform, and the specific substance of the reform have already been very clearly and very exhaustively stated in Comrade Zhao Ziyang's Report to the 13th Party Congress. The problem now is how to gain an accurate understanding of the reform and how to correctly implement it. This requires that we start out from the reality that China is still in the initial stage of socialism, that we engage in an in-depth theoretical study, and that we provide an effective interpretation. This holds true not only for the entire political structural reform, but also for the legal system as part of the political structural reform.

The Report to the 13th CPC National Congress says: "The key to reforming the political structure is above all the separation of party and government." Indeed, if "the long-standing problem of making no distinction between party and government and of substituting the party for the government" is not resolved, "it will be impossible to strengthen party leadership and to smoothly carry out other reform measures." But, a resolution of this problem will have solved only the key questions, giving only favorable conditions for a smooth implementation of reform measures, but not all other problems ipso facto in the process. Once "separation of party and government" is achieved, government organs will be burdened with a heavier load of responsibilities, and this will in turn demand a reform of the government organs themselves.

The people's congress system is China's fundamental political institution. Among the state organs, the people's congress is the organ of state power. The purpose of the political structural reform is not to institute a "separation of the three powers" to weaken the congress, but rather to strengthen it. As pointed out in the Report to the 13th Party Congress, it is intended to further strengthen and perfect the NPC and its Standing Committee in its organization, functions, and work performance. But the government organs are the executive organs of the state power. The principles, policies, and all important specific

measures which the organs of state power of all ranks decide upon, as well as the laws (or regulations of a local nature) enacted by these organs must be carried out by different government organs at all levels. The State Council formulates "administrative rules and regulations," and in addition, as empowered by the NPC, enacts provisional regulations and measures in regarding to government's policy on opening up to foreign countries and on invigorating the domestic economy.

Above all, the exercise of official function by government organs at all levels touches people much more closely and directly. In this respect, the structural reform of government organs is actually of greater urgency than is the case with state party organs, because the government organs have a greater complexity of relations with the people, and are in greater need of positive and painstaking effort overcoming bureaucratism. Comrade Deng Xiaoping once emphatically pointed out: "The widespread phenomenon of bureaucratism is a serious problem in the political life of our party and country. Its main manifestations and dangers are taking an attitude of standing high above the masses, abusing one's authority, losing touch with reality, losing contact with the masses, giving false appearances and empty talk, having ossified ways of thinking, sticking to conventions, setting up unnecessary organizations, overstaffing offices, having dilatory workstyle and a disregard for efficiency, neglecting responsibilities, committing untrustworthy conduct, indulging in inordinate paper work, and even in assuming utterly bureaucratic airs. In addition, scolding people at the slightest provocation, attacking and taking revenge, suppressing democracy, deceiving subordinates and hiding the truth from superiors, engaging in imperious and despotic behavior, favoritism and bribery, practicing graft and bending the law, so forth and so on. In our domestic affairs, as well as in our international contacts, this state of affairs has become absolutely intolerable." The report at the 13th Party Congress also pointed out, "It should be noted that overstaffing, overlapping, and unwieldy government organs, confusion of their responsibilities, and buck-passing are also major causes of bureaucratism." The report furthermore points out, "We must therefore resolve to reform these organs from top to bottom," and proposes "that the State Council begin immediately to work out a plan for restructuring the organs of the central government, and that the plan be submitted to the First Session of the Seventh NPC for examination and approval and implementation." This is absolutely correct. The measures that have been proposed are also all appropriate, especially with regard to the reform of the cadre personnel system, the institution of a national government functionaries system. On the basis of this Report, the Second Plenum of the Politburo of the CPC Central Committee adopted a plan for restructuring the State Council organs, which has already been submitted by the State Council to the First Session of the Seventh NPC, where it has been approved.

To effectively implement measures for the political structural reform, and to consolidate achievements of the political structural reform, it is necessary to employ

legal means, the use of the law, to affirm these measures and achievements and to guide the people in their conduct in accordance to these laws. It will be particularly necessary "to improve administrative legislation, drawing up basic norms and procedures for administrative work." To sum up in the words of the Report to the 13th Party Congress: "We must grasp economic development and the reform of the legal system. Development of the legal system must intertwine with the entire process of the reform." "On the one hand, We must strengthen legislative work and law enforcement, ensure that all judicial agencies can exercise independent authority as prescribed by law, and heighten citizens' awareness of law. On the other hand, the development of our legal system must also ensure good order for economic development and reform, so that the achievements of the reform can be consolidated. We should try to define, in terms of laws or rules, what should be encouraged and what should be reformed." This means "with respect to our country's political, economic, and social life and in all facets of democracy and dictatorship, we must achieve a state of affairs of: having laws to follow, enforcing law with strictness, and prosecuting every who violates the law." It also means that to overcome the current shortcomings in the political system, such as bureaucratism, we must develop the legal system, and by means of strengthening the socialist legal system, promote and ensure the political structural reform. During the entire development of the legal system, efforts on the part of the government in matters of the legal affairs plays a very important role. Of course, the legislative power belongs to the state organ of supreme authority, the NPC and its Standing Committee, but as previously stated, all laws enacted by the NPC and its Standing Committee are mainly enforced by government agencies, and actually the formulation of these laws generally based on proposals or "drafts" sent in by government agencies. Furthermore, the State Council is authorized by the constitution and the laws to enact administrative rules and regulations and to determine detailed provisions governing the laws by adopting specific measures. Whenever authorized by the NPC, the State Council may also enact provisional regulations and measures. The success or failure of the government in its work on the legal system has, therefore, a bearing on the success or failure of the entire development of the legal system, and of the political structural reform; it must under no circumstances be regarded as unimportant. Starting out from the fact that China is in the initial stage of socialism, we must study, linking theory with realities, how to accomplish this task. We know that theory must not be divorced from reality, but that theory may, on the other hand, guide reality, so that it is necessary to deepen theoretical studies if the government is to accomplish its task of establishing a legal system.

Let us here discuss a few points that require attention in the course of developing the legal system:

First of all, we must observe the principle of democratic centralism. What we call democratic centralism is: "Centralization on the basis of democracy, and democracy

under centralized guidance." We must oppose the dictatorship of an individual as well as extreme democracy. Just as Lenin once stated, "We propose democratic centralism, but we must be clearly aware of how great the difference is between democratic centralism and bureaucratic centralism on the one hand and anarchism on the other hand!" The government is the executive organ for the state, it is the state's administrative organ. Different from the NPC, and from all other people's organizations, it does not employ the democratic form of having a majority rule, but the system of a responsibility system by an office head who decides how to resolve problems. But the office head must make his decision on the basis of full democratic discussions and not arbitrary decisions on his own. The provisions of the constitution and the law require that some issues must be discussed in meetings, and that a gathering of opinions should take place before a decision can be reached. Although the head of the office will then give the final verdict and will not require a majority vote, the verdict will in actual fact represent the opinion of the majority, or, if not of the majority, the correct reflection of opinion. This is true democracy. If no meeting is called where a meeting should have been called, or a meeting is held merely as a matter of form while in actual fact the opinion of the majority is ignored, that, of course, is not democracy. However, if everything, large or paltry, is dragged into meetings, or if endless deliberations come to no decision, if decisions are not carried out, or if documents are passed around and people merely mark them off as seen without anyone taking responsibility for action, this can never be considered democracy. As to the execution of a decision and the disposition of a specific matter, there has to be a collective leadership (or, one may say, unified leadership), a division of labor with individual responsibilities, and an action at each administrative level with each level bearing its share of responsibility. No one should arrogate all power to himself, and no one voice should be listened to as the final decision.

A discussion of division of labor with responsibilities at each sector and each level touches on the question of delegating authority and personal responsibility at one's post. The overconcentration of authority is a serious shortcoming in China's state structure. Comrade Deng Xiaoping once said, "Our leading organs have taken charge of many matters which they should not and cannot handle, or cannot handle efficiently. If there would have only been a certain rule that these matters be moved down to lower levels to deal, if they would be left to the enterprises, industrial and social units, and they would have been allowed to deal with these matters themselves, truly, according to the system of democratic centralism, these matters would have been well taken care of. But if all these matters are referred to the party and state leadership, or to the departments of the central authorities, it will be impossible to handle them properly." The Report to the 13th CPC National Congress also contains a clear statement on this point. As to the relationship between the central authorities and local

authorities, between higher ranking and lower ranking organs, between state agencies and enterprise and industrial units, it is mainly a problem of delegating authority. As to the internal relations within state agencies, it is mainly a problem of personal responsibility at one's post. One of the major shortcomings of today is that the responsibilities of each post are ill-defined. There is no distinct division of responsibilities between the administrative levels, the leadership in some places does not guide, examine, and supervise the work of subordinate cadres but flagrantly interferes in their work and directly disposes of and handles matters they should not handle, so that the lower cadres cannot and will not dare handle independently. They will then refer everything, large or paltry, to higher authority for instruction, going even so far as to take on no responsibilities at all and pushing everything up to be handled by higher authority.

In order to implement democratic centralism, and to solve the problem of division of labor with responsibilities at each sector and each level, it is necessary to enact laws, rules, and regulations, to clearly define the authority of offices, to establish clearly-defined responsibilities, and to change the state of affairs described by Comrade Deng Xiaoping in the following way: "For a long time we have lacked administrative laws and regulations, and a system of personal responsibilities which would strictly regulate everything from top to bottom. We have lacked strict, clear, and definite provisions on the functions and limits of authority of every organ and every individual." It was therefore absolutely necessary for the Report to the 13th CPC National Congress to point out that "we must improve the organizational laws for administrative organs," "we must set up administrative levels, one after another, a system of administrative responsibilities, and improve quality and efficiency of work."

Laws and institutional systems must be brought about by men, and while it is not possible to get along without a perfect legal system, it is also not possible to merely have perfect laws and a perfect institutional systems without accurately executing them. There is the common saying: "The scriptures could be misread by a crooked-mouthed monk!" But the problem we have on hand is not a misreading of the scriptures, but the fact that people disregard the law and violate it knowingly. It is therefore necessary that cadres in government has "ability and virtue." This is what Comrade Mao Zedong had expressed as being "both red and expert." Cadres must at least be knowledgeable in their lines of work, and handle matters according to law. The appointment and dismissal of cadres, their promotion, job evaluation, and rewards and punishments must follow legally established criteria and procedures. These things must not be handled at the whim of a leading cadre's personal likes and dislikes, and no hiring is allowed by way of political factions or family relations. The Report to the 13th CPC National Congress emphatically stated: "Serious defects still exist in the current personnel system relating to

cadres." The Report demands reforms and puts forward several correct measures, especially to place major emphasis in the reform on the establishment of a civil service system for government personnel. "Instituting a civil service system for government personnel will make it easier for the party to reinforce and improve leadership over personnel work, to promote the political activists and administrators who have both ability and political integrity, and to improve the efficiency of government work and the stability of the state." These measures are very necessary. But some people wonder if establishing a civil service system for government personnel and instituting permanent employment for public servants in the professional work category would mean that we plan to restore what we have just started to eliminate, namely the "lifetime jobs of cadres," "iron rice bowls," and the "step ladder doctrine," on the basis of merit and seniority which discriminates against the younger generation. Not so. The lifetime jobs that we want to abolish refer to the lifetime positions of leading cadres, not the lifetime employment of government personnel in the professional work category. Insofar as the "permanent employment" of these professional government employees, it means "employment for life" up to retirement only. Furthermore, this "permanent employment" is also bound up with the system of personal responsibility at one's post. That type of "lifetime employment" has as its premise the ability of the employee to fulfill his duties. If he cannot fulfill the duties of his post, or if he should make mistakes, it is quite possible to dismiss or demote him. Instituting a system of permanent employment for government personnel in the professional work category is not the same as the "iron rice bowl" of the past. In the past, it did not matter whether work was performed well or poor, whether the job was done or not, one gets "the two and a half jin" due him. In the past, it was impossible to get anyone dismissed, and the only move possible was upward. Even if one were to speak here of an "iron rice bowl," this "iron rice bowl" would have to be maintained by job performance. As for instituting the system of permanent employment which would allow government personnel to be promoted through the ranks after certain periods of time on the basis of merits, this system is not meant to suppress the middle-aged and young people whose talents and ability are judged by the "step ladder doctrine in accordance to seniority." Comrade Deng Xiaoping once said, "Cadres must advance upward. This generally means that cadres must reach deeply the masses, gain knowledge on the job, going through the process of accumulating experiences and seasoning. But we cannot always stick to the old concept of "climbing the ladder." The promotion of cadres should not be limited to the same category of people as it is carried out now out of a district, county, prefecture and province. All fields and operations should have different career ladders, responsibilities and titles. New guidelines and requirements governing promotion of cadres and utilization of personnel in all fields and operations must be enacted. For many of the future jobs and positions, as long as applicants should be recruited

or appointed as long as they can pass the test. We must break free from those outdated concepts of a career ladder and create a new ladder that is suited to the new situation and new tasks. We will then be able to boldly promote exceptional people outside of the regular career track." "We are determined to promote, expeditiously, excellent middle-aged and young cadres." This is not to say that the government is abolishing the career ladder, but only the old concept of promotion. It intends to promote excellent middle-aged and young cadres from outside of the usual career tracks. The government employees who are under the professional work category and who gain knowledge and experiences on the job, generally speaking, deserve to have a system of permanent employment that can promote them gradually through the ranks. Those of exceptional ability and outstanding achievements, and those having made special contributions, must be promoted outside of the usual order. This is true especially for the middle-aged and young cadres whom we shall make efforts to discover and promote as much as possible. Comrade Deng Xiaoping has also said: "Our main task now is to develop a knack of discovering, grooming, and promoting, even boldly break the normal practice, excellent middle-aged or young cadres. This is an objective and pressing task of China's modernization drive." However, we are not proclaiming a doctrine of "youthfulness is everything." We have said before that our cadres must be both capable and of political integrity," and "both red and expert." We demand of our cadres that they qualify in four respects, namely, being "revolutionary, in average age, educated, and professionally competent." This is a universal requirement, and the four qualifications are menditory. Of the four qualifications, the most important is "revolutionary." Being young is not good enough, one must be revolutionary. This is especially true for the middle-aged and young cadres. Of course, the requirement of the revolutionary qualification cannot be made an arbitrary uniformity. This is because positions, work, and job requirements are different. Accordingly, these requirements are different between the leading cadres and general cadres, and different still from the technical cadres. In the case of government personnel, the requirements are different between the administrative professionals and the vocational professionals. Furthermore, even the same requirements need to be upgraded from time to time. There was a time in the past when the negligence of the requirement of being revolutionary and the demand for political ideological work resulted in serious consequences. On the other hand, if the requirements are overly unreasonable and inflexible, it can suppress the middle-aged and the young, blocking their future opportunities and interfering in the process of "invigorating" the cadres. The proper handling of this problem requires accurate knowledge and considered approach. This is why first and foremost the government must establish a civil service system and guarantee an effective implementation of its rules and regulations governing the appointment and dismissal, examination and certification, inspection, evaluation, reward and

punishment, and promotions and demotions. As indicated in the Report to the 13th CPC National Congress: "All public servants entering the vocational category will have to openly compete by passing standard examination. The job responsibility of such public servants will be clearly defined and their performance will be evaluated in accordance with statutory standards and procedures. Their promotion, demotion, reward, and punishment will be based mainly on their work results." These various rules and regulations must be based on actual circumstances, and once formulated must be implemented, requiring leading organs at all levels and of all personnel departments to observe. "Having laws but not observe them" would be like having no laws. Similarly, having a system that is not working well would be like having a blank piece of paper.

Just the same as setting up a legal system, equally important as the reform of the cadre personnel system, is the implementation of the principle of maintaining uniformed competence, simplicity and efficiency in government components. As it was pointed out by Comrade Deng Xiaoping and again in the Report to the 13th CPC National Congress, government organs are presently unwieldy and overstaffed, and this is a major cause of bureaucratism. They have to be restructured. The existing organs must be abolished, emerged or streamlined as the case may be. As for the existing personnel, they must be dismissed or transferred as the case may be. To sum up in the words of the Report to the 13th CPC National Congress, it will be necessary to "abolish organs where jobs had been created to accommodate certain persons, and to cut down personnel in overstaffed offices." Of course, the streamlining cannot be done in arbitrary and uniformed manner. One cannot go by numbers only. Generally speaking, streamlining must be energetically carried out. But under special circumstances, it might even be necessary to add components and positions. The key is to go by the existing realistic need in this initial socialist stage, assigning jobs according to the operations, setting up office and staff, not to create jobs to accommodate people but to assign people where jobs need them. When necessary, temporary offices may be set up. But such additions should not be done lightly, and become a constant practice. Some say, the more people the less work. They ask, what are they going to do if, in carrying out streamlining, there are more jobs than there are people who can handle them. In reality, this will not happen. By having clearly defined jobs and the ability to assign jobs according to ability, by delegating authority to lower levels, separating the government from the enterprise management, and leaving alone the affairs that people themselves are to exercise self-control, would greatly reduce the work load. When the work load is reduced, there is, of course, no need for more personnel. Besides, "the effectiveness of a military force depends on its competence, not by its numbers alone." Furthermore, even if there are more work, competent cadres should be well-versed in handling it. I have often said, that presently in our organs there are "too many people and yet so few," because there are too many incompetents and too

few capable men. The incompetents not only cannot do the job themselves, but also interfere others from doing theirs. This is not a case of "more people make the job easy," but of "more people make it difficult to work." This is my personal experience. Now that the First Session of the Seventh NPC has already examined and passed the proposal put forward by the State Council regarding the restructuring of government organs. Let us hope that this policy will be maintained in future.

In the above I have mainly stated my own opinions with regard to the government's work on the legal system as part of the restructuring of the government itself. I have not in particular emphasized the economic and cultural aspects of work on the legal system. But the main idea is

throwing out my opinion as reference with regard to those aspects. To sum up, the government's work on the legal system is extremely important and very complex; it must be firmly grasped and pursued. As far as we who work in the social sciences are concerned, and especially those of us in legal work, we must start out from the reality of the initial stage of socialism, engage in thorough study, and link theory with reality. We must, on the one hand, firmly grasp the reality by understanding the situation, and, on the other hand, study the theory and the real situation and then apply the theory to the situation realistically. As Lenin said: "Without a revolutionary theory, there will not be a revolutionary action." The applies to the current legal work of the government. This is an important responsibility that we are shouldering today.

NATIONAL AFFAIRS, POLICY

Property Rights of State-Owned Enterprises Evaluated

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[Article by Xu Ming 1776 2494, Law Research Fellow, Professor of Law at the Huadong Institute of Political Science and Law, and Guo Liming 6753 3303 7686 Professor of Law in the Law Teaching and Research Section, Department of Social Sciences, China Fangzhi University: "An Evaluation of the Various Theories on Property Rights of State-Run Enterprises"]

[Text] Since the advent of reforms in the economic system, the issue of the nature of property rights in state-run enterprises has been a continual focus of academic argument in civil law and economic law circles. While state-run enterprises function as independent subjects in civil law relations (they are established to be legal persons), the crux of all the issues has become to determine what is the nature of the state-run enterprise vis-a-vis property rights. Various views on this issue have gradually emerged. Management and administrative rights, rights of beneficial use, occupancy rights, relative ownership rights, rights of control, commodity ownership rights, trustee management rights, management rights and legal person ownership rights have all been offered as descriptions of the nature of the property rights possessed by state-run enterprises. To a certain extent, all of these views explain the nature of the property rights possessed by state-run enterprises. However, whether the various views are correct in their theoretical points, whether their theoretical bases are exhaustive, and whether they have any theoretical value are items open to great dispute. The authors will attempt to briefly analyze the various views and then offer our humble opinion.

I. Management and Administrative Rights

This camp contends that as for the nature of property rights in state-run enterprises, the State enjoys the ownership rights to the property of state-run enterprises and the enterprises themselves only enjoy rights of management and administration. That is, premised on the submission of the enterprise to the unified authority of the State and the comprehensive fulfillment of the State plan, the enterprise, within the scope of legal regulations, enjoys occupancy rights, rights of beneficial use, and rights of disposition with regard to the State property it administers. Among the comrades adhering to this view, conceptually there are different ideas about management and administration rights. One group feels that management and administration rights are not only the rights of an enterprise, but also its duty. A second group feels that the management and administration right is a kind of power and function that exists along with occupancy rights and rights of beneficial use. A third group thinks

that the management and administration right is a concrete embodiment of ownership of production materials. A fourth group feels that the management and administration right is a power and function of occupancy, beneficial use and disposition exercised toward State property. Finally, another group thinks that the management and administration right is a new kind of property right similar to rights in personality.

Comrades in opposition feel that first, this view actually puts the enterprise in a position of having no property rights, it chokes the vitality out of the enterprise, and it creates a "communal rice pot" phenomenon. Second, the management and administration right is not a legal concept in that it does not reflect the relations between rights and duties. Third, the management and administration right is not an independent property right. It does not embody the interests adhering to the enterprise itself. Fourth, the management and administration right lacks a property right—it only explains the responsibilities and duties vested by the State.

The authors agree with the opposition for the following reasons. First, the management and administration right is a comprehensive kind of right; it reflects the sum total of limitations on the rights of an enterprise with regard to persons, property, goods, production, supply and sales. It covers much more than property rights and so is not a concept of a right in a legal sense. Second, the "management and administration right" is not only a right of an enterprise but also its duty. The enterprise is responsible for carrying out its administration according to the requirements of the State. While the contents of rights and duties are identical, what is referred to here is not a civil right. So, the "management and administration right" is not a kind of civil right. Third, the "management and administration right" is essentially a right to administer. It has its emphasis in the organizational activities of the State. As the Soviet legal scholar Weinieji Ketuofu acknowledged, "Management is the administrative activity of State organs."¹

II. Rights of Beneficial Use

Members of this camp feel that vesting rights of beneficial use on the property to state-run enterprises with the State acting as the owner of the property is not tantamount to the creation of "empty rights" but is a summation of the final right to regain property or property value. In this way, we don't have a situation where, because the state-run enterprise enjoys occupancy rights, rights of use, and rights of disposition in the property as well as rights of ownership, the State loses its rights of ownership in its property. This camp feels that viewing the nature of property rights of state-run enterprises as rights of beneficial use creates a new form of socialist property right. It is beneficial in establishing and ensuring the independence and self-initiative of state-run enterprises and causing the production management of the enterprise to truly focus on the material benefits to the enterprise itself. At the same time, this is beneficial

in protecting the nature of ownership by the whole people for the state-run enterprises and strengthening the economic responsibility of the state-run enterprises.

The authors do not subscribe to this view. As for the nature of property rights and interests, the right of beneficial use is actually a kind of other-directed right in property. The so-called right of beneficial use refers to "the right of the other to use the profit from the property which is owned."² "Profits refer to the gains or interests produced by the property."³

This view gives state-run enterprises dependent property rights and yet accords them the status of legal person. Among the conditions for the establishment of a legal person, the enjoyment of independent property rights is a necessary one. Legal persons must, within the scope permitted by law, enjoy occupancy rights, use rights and rights to the disposition of property, but the rights of beneficial use only confers use rights and the rights to profit, and does not extend rights to the disposition of property. This view does not meet the conditions a state-run enterprise needs to be established as a legal person enterprise.

This view also fails to consider the interests of the State. Here a state would lose the profits from its property which it should receive because of its ownership rights. This is because rights of beneficial use only confer a benefit on the person with the right of beneficial use. This makes the ownership rights of the State, rights to nothing. Ownership rights "refer to the rights of the owner, according to law, to occupy the property, use it, receive the profits from it, deal with regard to the disposition of it, and hold all these rights exclusively unto himself."⁴ Although the four functions of ownership rights can be divorced under appropriate circumstances, the authors feel that the rights to profit from property generally cannot be separated from the State's ownership rights. This is because the source of State wealth is the profit it receives from its rights of ownership and if this right to profit is bestowed upon enterprises, then the State will not be able to get any economic benefit.

III. Occupancy Rights

Adherents to this view hold that the relation between a State and a enterprise vis-a-vis property rights is one of owner and occupant. The State enjoys ownership rights in the property of an enterprise, and the enterprise only enjoys the occupancy rights in that property. The dual nature of the positions of the State and the enterprise and the dual rights they have with regard to this object—property—determine this relationship. The dual nature of State sovereignty is indicated by its being both sovereign and owner. An economy of ownership by the State is a "two-tiered" economy with ownership above, and management of production below. This requires both the State and the enterprise to have rights in property. The dual nature of the position of the enterprise is that it is

both the subject and the object of the rights. As subject of the rights, the enterprise acts as a legal person with independent property, independent property responsibilities, and independent interests. As object of the right, the state-run enterprise itself is the property of the State. Because of this, there exists a dual relation with regard to property rights between the State and the enterprise.

Other comrades feel that occupancy rights are independent rights established on the foundation of occupancy. Undoubtedly there is a certain connection between occupancy rights and ownership rights, but it is one of cause and effect. Only occupancy rights and occupancy have a cause and effect relationship. Occupancy rights are independent of ownership rights. Unless the law specifies otherwise, within the period for occupancy, occupancy rights are above ownership rights and the owner may not intrude upon the rights of the occupant by asserting his ownership.

This view is wide open for debate. First, it provides no way for the state-run enterprise to be a legal person and thus suffers from the same inherent mistake of "rights of beneficial use." Although some feel "occupancy rights are the rights an occupant has to occupy, use, or dispose of the occupied property within the scope and time period determined or agreed upon according to the law,"⁵ this is not the same as saying all occupants can actually enjoy each right. The rights of occupancy rights and the legal nature of the occupied property are intimately connected. For example, occupancy rights cannot be shown to exist so as to confer use rights in lien property; and occupancy rights cannot be shown to exist so as to confer rights of disposition in mortgaged property. To say that occupancy rights can manifest in three kinds of rights is only to have a general grasp of their form, but it doesn't mean occupancy rights at the same time possess these three kinds of rights. If the State or the enterprise only enjoyed occupancy rights with regard to property, then, during the time that occupancy rights are unable to manifest as rights of disposition, the independent property rights of the state-run enterprise are given an undeserved reputation.

Second, this view blurs the relationship and distinctions between occupancy rights and ownership rights. The logical relationship between ownership rights and occupancy rights is one of genus and species. The ownership right includes within itself occupancy rights. Occupancy rights and occupancy undoubtedly have a cause and effect relationship, but this kind of cause and effect relationship is not equivalent to saying the rights of occupancy rights surpass those of ownership rights. And having these rights is not equivalent to enjoying rights of disposition with regard to occupied property. Those who hold the view that occupancy rights include the rights of occupancy, use, or disposition are clearly mistaken. Theirs would lead to a meaningless coincidence of occupancy rights with that connoted by ownership rights.

Third, the occupancy right is a relative form of ownership right, and there is no way to be rid of the administrative interference of the State in the state-run enterprise. Proponents of this view hold that, "the ownership right refers to where the occupant (the enterprise) enjoys full powers of control over the property of the owner (the State) while the owner retains the ultimate rights of disposition. Thus, the occupancy right is essentially a relative form of ownership right, or an indirect ownership right."⁶ This "relative ownership right" is essentially a variety of the Stalinist theory where state-run enterprises possess only the surface of the commodity in their dealings.

IV. Relative Ownership Rights

This group contends that there is a dual nature to the relationship between the State and the state-run enterprise. On the one hand there is the general relationship between the political power of the State and the enterprise and on the other hand, the special production relationship between the State as representative owner of the production materials and the enterprise. In the present stage of socialism, the ultimate ownership rights (absolute ownership rights) that the State has in ownership by the whole people co-exist with the relative ownership rights of the enterprise.⁷ This group feels that everywhere and at all times there have been two kinds of ownership rights. Absolute ownership rights and relative ownership rights refer to the two different levels of ownership rights that co-exist with regard to the same property. In these two kinds of ownership rights, one ownership right overrides the other, the other is subordinate to the first, and between them the relationship of principal and subordinate exist. The former has unconditional rights, and the latter has conditional rights which are derived from the former.⁸

This view cannot theoretically justify itself. First, this view is in contradiction to the civil law principle that "there cannot be two owners for one piece of property." The principle of ownership rights tells us that no piece of property can be legally owned by two or more than two persons at the same time. As for the occupancy, use and disposition rights that come from the ownership right, the owner of property may effectuate these three kinds of rights at any and all times and need not get the intervention of a non-owner party. Thus, with this special feature of exclusivity in ownership rights, the State, which enjoys the ownership rights in the property of the state-run enterprise, can wantonly and arbitrarily occupy, use and dispose of its property.

Second, the implications of relative ownership rights are ambiguous. Marx points out, "the law has definite, clear, and common standards."⁹ The "relativity" implications of relative ownership rights don't explicitly show us where the rights begin and end. This is an incredibly elastic phrase and leaves much latitude for people to supply their own meanings. This does not accord with the exhortation of the law that words should be used with

accuracy. Ownership rights by nature are absolute. Aside from the person with ownership rights, no other person may occupy, use, or dispose of the property, nor may they interfere in the owner's activities with regard to the property (unless provided by law). Thus, the formulation of the relative ownership rights theory doesn't allow the theory to stand up.

V. Rights of Control

Adherents to this view feel that the heart and soul of ownership rights lies in the rights of control. All of the various rights that come with ownership rights can be determined to exist through the rights of control possessed by ownership rights. When one or more of the four rights that come with ownership rights is divorced from the ownership right, the rights of control emerge via the other kinds of rights. When all four rights that come with ownership rights are stripped away, the owner's rights of control emerge through the rights of sole occupancy acknowledged by the law to represent his interests and mandates. This group feels that because the rights of control are always subordinate to the owner, the rights of control are perpetual. Some, regardless of how long the rights of ownership are separated from the other kinds of rights, it is to determine that the separation will always be temporary and this leads to the owner never losing ownership rights. They also hold that the right of control is a very good way to resolve the issue of property rights of state-run enterprises.

The rights of control theory attempts to remedy the theoretical and operational ills of such theories as "the management and administration rights theory," "the relative ownership theory," and "the occupancy rights theory" and to completely clear up the relationship between the State and state-run enterprises vis-a-vis property rights. Undeniably, the rights of control do exist within ownership rights, but this view also has aspects open to question.

First, using the existence of rights of control to demonstrate the existence of ownership rights is logically begging the question, and will not explain the issue. Generally, the existence of control rights must be manifested through concrete ownership rights, that is, through diverse combinations of occupancy, use, profit and disposition rights. But, if rights of control are completely divorced from the four rights incident to ownership, how are rights of control to appear? This camp feels that at this time, the control rights of the owner appear through the rights of sole occupancy acknowledged under the law to represent his interests and mandates. But, in this situation ownership rights have already been shown to be "empty ownership." Because rights of control are always subordinate to the owner, rights of control are perpetual. Thus, no matter how long the various rights are divorced from ownership rights, the separation will always be a merely temporary one. These rights ultimately must be incorporated into the ownership right and bring the ownership right back to completeness. Here this camp

actually sees the rights of control as a kind of combination of occupancy, use, profit and disposition rights as well as a right to sole occupancy. We feel that: 1. The four rights of the rights of control (occupancy, use, profit and disposition) are precisely the full description of what ownership rights are. 2. The sole occupancy rights of the rights of control are also ambiguous. This is because, when the four rights are completely divorced from the rights of control itself, whatever rights of control that may then exist are quite suspect. After another has occupied, used, received profits from and disposed of a piece of property, where is there room for the owner to assert his right of sole occupancy? How is he to manifest the legally acknowledged interests and mandates he has as owner? This definition is legally without foundation and could never be made operational. Using rights of control to explain ownership rights undoubtedly begs the question.

Second, rights of control are not a product of ownership rights and rights of control do not necessarily take form through ownership rights. Rather, they emerge in the specific course of occupancy, use or disposition. Undoubtedly, if one enjoys ownership rights he will enjoy rights of control. But, the latter is not a product of the former. Of the other-directed rights in property, such as land use rights, property rights, and mortgage rights, although one who exercises the other-directed rights in property doesn't enjoy the ownership rights, he can still make use of a definite legal form to exercise control and realize his rights of control over the land.

VI. Commodity Ownership Rights

This group feels that during the present situation where ownership by the whole people guides the national economy, the basic reason for the existence of the commodity economy is that the various economic units within the ownership by the whole people economy will inevitably adopt a form of commodity production and exchange. As enterprises become the foundation and basic sign for relatively independent commodity producers, they should all possess ownership rights to a portion of the products (commodities) that enter into trading activities.

Although adherents to this view feel that commodity ownership rights can correctly resolve the relationship issue of the State and the state-run enterprises vis-a-vis property rights and is of great significance in reforms of the economic systems, the authors cannot subscribe to their views.

First, this view essentially acknowledges the existence of "dual ownership rights" and thus, the inherent ills of "the relative ownership rights theory" reappear. The way adherents to this view explain it, "the emergence of dual ownership rights does not deny State ownership rights or put the ownership rights of the State in a position of being 'empty rights.' After commodity ownership rights are taken away, the State still retains the rights of control

in ownership rights, and at the same time it has the highest decision-making powers. Namely, the State administers and makes policy with regard to the enterprise activities in exercise of the commodity ownership rights."¹⁰ Quite obviously, if the state-run enterprises have commodity ownership rights and at the same time have the concrete rights of ownership, there is no room for state ownership rights to manifest themselves. Using the rights of control theory to explain this would not be very convincing.

Second, this view itself contains contradictions. This view holds that "the enterprise has become a unit combining production materials and labor force and acts as a relatively independent aggregate of laborers. While managing the production materials of the State, it expends its own efforts and so, should enjoy ownership rights in a part of the labor products. Granted, no matter how this is done, the State fixes the production materials given to the enterprise, and the State should, on the basis of its ownership rights in the production materials, get the greater portion of the labor production. Everything should revert to state ownership, but it cannot come from what the enterprise owns."¹¹ This view does not refer to the relationship between the ownership rights of the State in a piece of property and the commodity ownership rights of the enterprise, but rather, of the numerous products produced by state-run enterprises, a portion (the greater part) reverts to state ownership. The State enjoys ownership rights. But another portion (the lesser part) reverts to the ownership of the state-run enterprise. The enterprise has commodity ownership rights. That is, while the State enjoys state ownership rights in a certain commodity, the state-run enterprise enjoys commodity ownership rights in those items. This is self-contradictory. If this view holds that the greater part of the products are owned by the State, and the lesser portion is the object of commodity ownership rights of the state-run enterprise, then actually, this admits that there is a legal person with ownership rights in the smaller portion of the products. This conclusion is completely counter to the original idea of this group.

VII. Trustee Management Rights

This group feels that the state ownership rights that have come about from the foundation of socialist ownership by the whole people should have as their basic contents such rights in state property owned by the whole people as rights of occupancy, use, disposition, profit and trustee management. The contents of the trustee management right are mainly embodied in the following: 1. Rights of Decision. Questions as to whom property owned by the whole people is given to manage, how much property is given, how much restriction is placed on the management right, etc. are solely decided by the party who has trustee management rights, and no other party may interfere in this decision. 2. Right of Reversion. When a certain time period runs out or a certain event occurs, the person having the right of management may reclaim his property from another whom he has

entrusted it to for management purposes, and cause the property ownership rights to revert to their original state. The State may directly occupy, use, take profits or dispose of the property and all persons, including the managers, have the duty to return the property to the State and may not put up resistance. 3. Supervisory Rights. The State has the right to supervise the manager of the property and see to it that he is carrying out the state plan and obeying the laws of the State.

This view still doesn't deal satisfactorily with the issue of state intervention in the property of the state-run enterprise. The three points made above contend that in this kind of trustee relationship the State holds an absolute place, and the enterprise is completely passive. That is, "once the trustee relationship is created, then between the State and the enterprise the relationship is one of the former sending down signals to the latter on what to do to execute the plan." This view admits that the trustee management rights have the two main features of "an administrative jurisdiction relations nature" and "a changeability of contents."¹² Although during the period the trustee relations are established the person with management rights has complete rights of occupancy, use and disposition over the property, because of the two main features mentioned above, the state-run enterprise's independent rights of occupancy, use and disposition in the property become mere empty words without legal protection.

VIII. Management Rights

This is currently the orthodox view of legal theoreticians. This view is recognized by our legislature, and in the recently promulgated "General Rules of Civil Law" was affirmed. Article 82 of the General Rules stipulate: "Ownership by the whole people enterprises shall enjoy the right to lawfully manage property which the State has bestowed upon it to manage and administer, and protection of this right shall be afforded by the law." Specifically, this indicates that while the State enjoys the rights of ownership in the property of state-run enterprises, the enterprise enjoys the rights of occupancy, use, profit and disposition with regard to the property. However, the reasonableness of the management right itself is suspect. The authors feel that, while acknowledging the ownership rights of the State, and emphasizing the management rights of the enterprise, achieving the appropriate separation has a definite significance. However, the extent of separation between the two rights is difficult to demarcate clearly within legal parameters. Separation of the two rights still doesn't completely solve the question of interference and restrictions from administrative departments, the legal position of the enterprise is not clear, it could easily give rise to irrational tendencies in enterprise behavior, the enterprises still can't get practical rights of self-initiative, and they still lack vitality. These ills are obvious.

The management right actually is a kind of right whereby the State, through its ownership of the property, entrusts the property to the enterprise for management. This

places a responsibility upon the enterprise with regard to state property. In this trustee-beneficiary relationship, the enterprise actually isn't a subject in a civil law relationship, but is only an entity that assumes and executes a state duty. The enterprise can only carry out civil activity on behalf of the State; the State assumes responsibility for all results of enterprise management; the profits go to and the losses are made up by the State. Thus, management rights sharply divide the territories of responsibility, rights, and profits between the State, the enterprise, and the employees.

Although within a certain scope management rights embody occupancy, use, disposition, and profit rights, in the final analysis it is not an ownership right. It is derived from and dependent on ownership rights. It is limited by ownership rights. Thus, after the enterprise enjoys management rights it still can't realize rights of self-determination, is subject to all kinds of restrictions and bonds, and can't escape the administrative intervention of the State.

IX. Enterprise Corporate Ownership Rights

This view holds that as our nation continued to press on with its economic system reforms and enterprise self-determination continually expanded, the corporate status of the state-run enterprise was established. As for the property rights of enterprises, it is inevitable that the state-run enterprise would need rights of occupancy, use, profit, and disposition in its property. In the exercise of these rights a series of problems have arisen that the traditional theory of state rights of ownership have no way to explain. Thus, those who hold to the traditional theory that the only subject of ownership rights in the property of the state-run enterprise is the State have a difficult time justifying their theoretical position and have had their stance destroyed by real life practices. The corporate ownership rights of the enterprise is an actual, unavoidable problem that economic system reforms have put before us. We must acknowledge the qualifications of the enterprise, as a subject, to enjoy the ownership rights in its property, admit its status as a legal person, and bestow upon the enterprise corporate ownership rights.

The authors support this view and will try to defend it with the following comments.

First, although the corporate ownership right has destroyed the scope of state ownership rights, it doesn't exceed the scope of public ownership. Thus, the corporate ownership right hasn't changed the nature of socialism. Under public ownership, the form of socialist ownership rights should be diverse, not merely emphasize state ownership rights.

Second, the special communal nature in our nation's phase of ownership by the whole people gives a theoretical foundation to corporate ownership rights. The communal nature of socialist ownership by the whole people

is primarily embodied in the following two areas: 1. As to the whole society, it isn't a direct combination of all members of society as a whole and the production materials covered in the territory of ownership by the whole people, but rather, what is in direct combination is only a part of the membership of society, namely, the workers in state-run enterprises. 2. Even though it's the workers of state-run enterprises, yet a direct combination of the entire territory of the ownership of the whole people with the production materials cannot be achieved. Rather, it is only typified by direct combinations within certain state-run enterprises.

Third, the various problems encountered in economic system reform demand the dismantling of the great unity model of state ownership rights because of the following. First, the appearance of Sino-foreign joint ventures, in reality, bestow upon the enterprises, to a certain extent, independent corporate ownership rights. Also, enterprise shareholding. The shareholding system is a system of common ownership and legally contains common ownership rights. But it is not a state right of ownership. Furthermore, enterprise bankruptcy. Bankrupt state-run enterprises must have the final substantive rights of disposition with regard to their property before they can pay off their debts. Thus, they must also enjoy ownership rights property. Finally, profit tax schedules. Tax collection is the action a state can take, based on its sovereign powers, in levying against and collecting the property or money of taxpayers. But, it is not an action taken on the basis of the state's ownership rights in property. Objectively, profit tax schedules cause the State to lose its foundation for ownership rights and bestows upon the enterprise corporate ownership rights.

Fourth, corporate ownership rights will not cause a macroeconomic loss of control for the State. The reasons are: 1. The enterprise will not misuse its own property. 2. The activities of the enterprises must be subject to corporate aims and the restrictions of rules. 3. The State will control enterprise behavior through the use of economic levers (like credit, taxes, etc.). 4. The State will use guidance planning to control the enterprise. 5. Proposing corporate ownership rights is not equivalent to a complete denial of state ownership rights. The two can co-exist. As for the major national economy and people's livelihood enterprises concerned, they may still exercise state ownership rights.

After evaluating the nine views set forth above, the authors feel that the first eight all have elements of advantage, but because they all revolve around the central pivot of state ownership rights, to explain the nature of the relations between the State and the state-run enterprise with regard to property rights, they never really can fully overcome the maladies inherent in state ownership rights per se. Also, these views are wide open to dispute. The ninth view both avoids discarding the Marxist theory of public ownership and takes into consideration our nation's needs in economic system

reform. It accords with the concrete state of our nation as we work from the elementary stage of socialism and has great vitality.

Footnotes

1. *Ownership Rights in Socialist Nations*, in Russian, the Soviet Union Law Publishing House, 1984, p. 116.
2. ZHONGGUO DA BAIKESHU [The Encyclopedia of China], Law Volume No. 713, The Encyclopedia of China Publishing House, 1984, p. 572.
3. Ibid.
4. Ibid.
5. FAXUE YANJIU [Legal Research], Issue 2, 1985, p. 59.
6. Ibid., Issue 4, "Property Relations Between the State and the State-run Enterprise Should Be Relations Between Owner and Occupant," 1980.
7. "The Dual Nature of the Relationship Between the Socialist State and the State-run Enterprise," in ZHONGGUO SHEHUI KEXUE [China Social Science], Issue 1, 1985.
8. "Absolute and Relative Ownership Rights-Evaluating the Ownership Rights of State-run Enterprises," in FAXUE YANJIU, Issue 2, 1985.
9. *The Collected Works of Marx and Engels*, Vol. 1, p. 71.
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FINANCE, BANKING

Factors in Adjusting the Credit Structure
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[Article by Liu Yiqun 0491 0181 5028, edited by Lin Daojun 2651 6670 0689: "An Analysis of the Factors Which Affect the Adjustment of the Credit Structure"]

[Text] Some of the major problems that call for imperative resolution in the current economic life of China are the incessant expansion of the scope of investment, the imbalance between total supply and demand in society, low economic results, and soaring prices. To stabilize the

economy and deepen reform, the state decided to strictly control the total amount of bank notes to be issued and tighten spending and credit.

It also requested the banks to seriously adjust the credit structure and integrate their adjustment with the state's adjustment of the industrial and product structures, to raise the economic results and promote the gradual rationalization of the industrial and product structures. Therefore, since the fourth quarter of the last year, the banking sector has adopted a series of new adjustment measures on the basis of the previous adjustment of the credit structure. This author believes that both in theory and logic, movement of funds is an expression of movement of material resources. The goal of adjusting the industrial and product structures can be attained by means of the banking function of redistributing funds, flexibly adjusting the direction and amount of loans, and changing the distribution and disposition of funds and material resources among different trades and enterprises. However, if we look at the current situation in China, the irrational credit structure is a reflection of the irrational economic structure. It is very difficult to change the irrational industrial and product structures by means of the adjustment of the credit structure. Besides the imperfect regulatory function and means of banking itself, the reason lies to a considerable extent in too many external factors restraining and fettering the regulatory function of banks.

I. How Gaps in Planning Affect the Adjustment of the Credit Structure

For many years value of output has been a major indicator of measuring economic development and assessing enterprise management. In order to maintain a certain rate of development even though economic results are not high, the form of production which is mainly extensive is naturally selected as an effective target for economic development. The principles of economics and the history of economic development show that whether the economy of a country can develop steadily depends on several major conditions, including capital, resources, technology, and mechanism. In terms of source of capital, there are only two channels. Either it is raised within the country or it is borrowed from other countries. When the sum total raised from both channels still cannot meet demand, demand will have to be suppressed and spending controlled. Non-productive spending in particular will have to be strictly controlled, or more bank notes will have to be issued, resulting in a deficit. However, whether borrowing or issuing bank notes, there is a critical line for them. What has happened in China in recent years is that the excessive issue of bank notes for several years on end has led to dramatic price hikes in all aspects. The effect is felt in the whole society and the public are restless about it. We have been forced to realize again, the importance of controlling the issue of bank notes. Since the state foreign exchange reserve has dropped, our level of exporting to earn foreign exchange is low and borrowing is limited by our

ability to repay, we cannot possibly raise more foreign loans to fill the gaps in capital for construction. Under such conditions, the speed of economic development and scope of economic construction should be restrained by shortage of capital. However, in reality it is not so. In formulating economic development plans, departments concerned are obliged to, or willing to leave a not so small gap in capital and material resources in order to guarantee a certain rate of development. (In execution they also raise the quota at each level.) As we all know, state planning is directive. Projects included in the plans are key state projects that enjoy priority and guarantee in financial supply. The question is, when planned source of capital is smaller than planned demand for capital and all the projects are key state projects, what can banks do? Banks have the responsibility of adjusting the credit structure, but at the same time they belong to the state and have weak credit autonomy. Which projects to support, which not to, and how to distinguish between them, is evidently a difficult problem to deal with. Besides, whether the industrial and product structures are rational depends largely on fixed assets investment. In other words, the direction of fixed assets investment determines the formation of the industrial and product structures, and banks mainly provide loans in the form of circulating funds. In procedures fixed assets investment come first and circulatory funds come after. When the project is constructed, whether its structure is rational or not and whether its technology and products are advanced and its sales prospects are optimistic, it requests the bank to provide circulatory funds loan. Despite their adherence to the principle of "differential treatment and support for the most qualified," banks have to provide support in the end because of many factors and pressure. The difference is only in the amount of the loan. This explains the strange phenomena such as production continuing in spite of the accumulation of large quantities of products that do not sell well, and an excessively large total amount of capital on one hand and serious shortage of capital on the other. Of course this also proves the difficulty facing the adjustment of the credit structure from another angle. Therefore, if we do not find out the fundamental causes and seek resolutions, but just try to use the adjustment of the credit structure to change the irrationality in the industrial and product structures caused by fixed assets investment, we are just passive and try to find ways out after problems have emerged. This approach can only address the part of the problems that has been exposed, not their roots, and its use is very limited.

II. How Administrative Interference Affects the Adjustment of the Credit Structure

With the development of the commodity economy in China, the regulatory function of banks has been evidently stronger than before the reform. Since most enterprises do not have much capital of their own, their dependence on banks has further increased with the strengthening of the banking function. Precisely due to this change, government and leadership at all levels are

more concerned about and attach more emphasis on the work of banks than any time before. We should say that this is a delightful external factor for banks to do their work well under the present system. However, all trades are awaiting development at present. All people hope the economy will develop as fast as possible. It is also reasonable to expect banks to provide more financial support. Because of this, there is often visible and invisible interventive measures that penetrate into government and leaders' concern for and emphasis on the work of banks. This obstructs the banks' adjustment of the credit structure. We should say that for banks to adjust the credit structure, it means to follow state planning for socioeconomic development and correctly guide the direction of capital flow by means of supporting the qualified and restraining the unqualified, and in so doing guide the limited capital to trades and departments that the state believes need imperative development. In other words, we try to raise the economic results of the entire society by giving support in the form of credit to some trades, enterprises, and products and help them to develop; and control other trades, enterprises, and products by not giving them support. This implies that with the adjustment of the credit structure, some enterprises will develop, some will have to change their products, those that have difficulty obtaining bank loans may have to cease production or even go bankrupt. This will bring a series of problems, such as workers' structural unemployment and inability to attain the target output value or turn over profit taxes. These problems will affect the interests of the state, the locality, enterprises, and workers in different degrees. Out of political, economic, and other considerations, it is inevitable for the government and leadership at all levels to interfere with the adjustment of the credit structure with administrative measures.

We must admit that adjustment is a painful process for all since it affects the interest of all parties. However, the economic movement itself is a continuous process of adjustment. Only after major and minor adjustments can this movement be closer to the objective law. The adjustment of the credit structure under the current tightened policy is definitely not only the task of banks. It involves the continuous and stable development of the entire national economy. Banks whose mission is to administer and distribute funds must seriously enforce the adjustment policy and support those that need support in time and restrict loans to those that should be restrained to ensure the rational and centralized use of funds. Government and leadership at all levels must sacrifice specific needs to overall needs, follow state overall control, and actively support and coordinate with the work of banks, so that banks can fully perform their regulatory function in an environment with no administrative intervention or very little of it.

III. How the Lack of an Industrial Policy Affects the Adjustment of the Credit Structure

The experience of economically developed nations, especially the new ones, shows that a correct industrial policy

which suits both domestic and foreign economic environments is an effective way to avoid scattering capital and resources and to ensure steady economic growth. The core of the industrial policy is to set strategic goals and select strategic industries. This means to determine which are the guiding trades and products and then give them favorable treatment in credit, interest rate, taxation, foreign trade, etc. Priority in supporting their development will lead other related trades and even the entire national economy to develop. At present China has no definite industrial policy and all trades and industries are trying to develop. In the work of banks and of their credit policy, this urge to develop on all fronts resulted in the egalitarianism in the distribution of funds and the policy of selection based on results. The economic results of enterprises and products should be an important basis for deciding on loans. However, credit management based on economic results is after all an elementary form only, for it is only a basic condition to decide whether a loan should be provided. In view of the overall economic development strategy and the set-up of productive forces, economic results are not directly related to the economic structure and set-up of productive forces. It is especially so in the coexistence of old and new systems and multiple prices. Besides, enterprises and products that promise good economic results are not necessarily guiding trades and products that can lead to economic takeoff. Moreover, results themselves are a variable. Apart from factors inside enterprises, they are also affected by many external conditions. Therefore, credit management based on results and the adjustment of the credit structure built on this basis cannot fundamentally change the irrationality in industrial and product structures. The fundamental solution lies in the state's formulation of an industrial policy as soon as possible which suits the Chinese reality and placing it under legislative protection and other policies to avoid manipulation by individuals. Then, according to the goals of state industrial policy, key projects should be given key support in personnel, finance, and material resources, so that all departments and trades in the national economy can follow concrete, visible development goals and not vague and wholesale ones, and develop step by step. On this basis the adjustment of the credit structure should be integrated with the implementation of industrial policy, the direction and amount of credit should be defined, and credit policy based on results should be elevated to one that combines structure with results. Only in so doing can the true meaning of the adjustment of the credit structure and "differential treatment and support for the most qualified" be realized. Another meaning of the formulation and implementation of an industrial policy on credit adjustment lies in effective prevention of scattering and imprecision in the direction of loans. It also helps to check the practice of providing loans for those with the loudest voice or strongest back up especially in the face of administrative intervention and insufficient funds.

IV. The Non-independence of the Central Bank and the Non-enterprise Nature of Specialized Banks and How They Affect the Adjustment of the Credit Structure

Another question relating to the adjustment of the credit structure is the independence of the central bank and the enterprise nature of specialized banks. As mentioned above, in adjusting the credit structure, especially in the adjustment of the industrial structure when there is so much conflict in the supply and demand of funds, apart from resolving the three problems mentioned above, realizing the independence of the central bank and making specialized banks enterprises also have an important significance. For a long time we practiced a uniform banking system that corresponded with the product economy. With the reform of the economic and financial systems in recent years, we have initially established a new financial system composed of the central bank, specialized banks, and many financial organizations. While the change in the organizational composition is a kind of progress, conditions since the reform show that the question of the independence of the central bank and the nature of specialized banks have not been truly resolved. With a few exceptions, the central bank in almost all countries, especially industrialized countries, is independent of the government and is protected by law. It becomes the fourth force, after the government, political parties, and trade unions. It can exercise its power on monetary policy to a larger extent. Commercial banks practice completely autonomous operation according to the policy and ordinance of the central bank and the degree of safety, mobility, and profitability of the funds. Apart from the market mechanism of the administrative system, this is a result mainly of the effort to develop the economy steadily and to continuously change and perfect the financial system. In the Federal Republic of Germany, for example, the economic policy of the government and the monetary policy of the federal bank (central bank) are independent of each other. The monetary policy of the central bank is protected by the law from the interference by the government who may be too eager about pooling funds. This has become the best means to get rid of inflation. This system enables the federal bank to choose to guarantee the goal of monetary stability when the bank's own goal is in conflict with other overall goals. To guarantee the continuous and steady development of our economy, it is both a prerequisite and a basis for the adjustment of the credit structure to strictly control the total amount of bank notes issued and ensure that they are issued in agreement with the pace of economic development. Excessive issue of bank notes will not only provide objective conditions for excessive expansion in investment and credit, but also make it easy for enterprises to obtain loans. If banks cannot resist profit temptations, it will be difficult for the adjustment of the credit structure to be conscious behavior. Besides, while strengthening the independence of the central bank, specialized banks should become enterprise in nature as soon as possible and change their confusing "double identity" at present as both government organs and enterprises. As an economic entity, the

specialized bank should be like other enterprises and enjoy management autonomy. Under the guidance of the overall state economic policy and the prerequisite of not going beyond the scope of credit, they should be allowed to decide on their own whether to loan and how much should the loan be according to the degree of safety, mobility, and profitability of the funds.

In sum, the adjustment of the credit structure is very much a policy task and a difficult one. It is far from adequate to rely on the effort of banks alone. If the four questions discussed above are resolved well, the adjustment of the credit structure will be easier.

FOREIGN TRADE, INVESTMENT

Reflections on Growth of Sino-Soviet Border Trade

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[Article by Ding Shuwen 0002 2579 2429, Associate Research Fellow of the Heihe District Economics Research Center of Heilongjiang Province: "Reflections on Growth of Sino-Soviet Border Trade"]

[Text] The basic national policy of opening to the outside has brought new lifeblood to our nation's economic development. Following in the footsteps of the further opening up of the southern coastal cities, the opening of the northern provinces and cities has risen to a new plateau of development. The various provinces, cities, autonomous regions and planning units in the various cities all can develop cooperative business relations at different levels and of various forms with the Soviet Union. The Soviet Union is also quickly adjusting its foreign trade policy and has taken actual steps toward reviving the traditional border trade which it has great interest in. Peaceful development and mutually beneficial cooperation is now taking shape all along the lengthy strip of the Sino-Soviet border. Undoubtedly, this will forcefully propel forward developmental construction of border districts. However, cooperation must come about through heated competition in the market, thrust must follow on the heels of pressure; cooperation and competition, thrust and pressure, these must co-exist. In sum, the realization of this worthy mission will be preceded by rough sailing.

1. Advantage and Anxiety in the Ports

On the two sides of the Sino-Soviet border separated by land and rivers there are many corresponding cities and towns that are all opening up favorable channels of border trade competition. In Heilongjiang Province, nine ports have already been opened up through an agreement of the Chinese and Soviet Governments. Among these, such ports as Suifenhe and Heihe are enjoying brisk movement. Mutually beneficial international cooperation must be achieved through the ports.

Places with ports can have priority, because of geographical relations that create a dominant location and lend a "host" status, in using the ports to enter the international market and they can rely on their international economic strength to develop the local economy. At the same time, the ports not only are geographical arenas for achieving international cooperation, but, more importantly, they are a kind of relation between countries and manifest a "window" for linking up one country with another. All places in the country are "masters" of the "window"; they all have the right to use this "window" to work toward international cooperation and carry out even better economic construction. Between the "hosts" and the "masters" the interests are basically the same and they must be interdependent; but partial interests are beset with many divisions which must clash among themselves. This kind of contradictory relation of interests will run throughout the course of border trade.

As the ports involved in Sino-Soviet trade increase, each port is faced with two tests. First, the various provinces, cities and enterprise units of the hinterland all want to choose the ideal port to act as their "transfer hand" and work together with it to enter the Soviet market. As for the ports, they have no choice but to actively accept this "merciless" selection. Because of such factors as historical or incorrect influences, the border regions fell way behind the rest of the country with most having "poor border" economies—obsolete industrial equipment and backward technology, numerous primary and elementary products, low quality, poor marketability, industrial and agricultural output value generally at about 3 percent. In agriculture, aside from the fairly high commodity rate for individual grain varieties, nearly all else was engaged in for self-sufficiency. This economy in need of development still has difficulty in breaking into the international market with many commodities. In the trade between the port of Heihe and Amur Republic on the Soviet side which amounts to over 10 million Swiss francs, locally produced items amount to next to nothing and over 90 percent of the products must be purchased elsewhere. In reality, Heihe is engaged in turnover sales. The situation in the other ports is for the most part identical. The ports bring the border in close contact with the rest of the country. The strength of the bond is completely decided by the actual strength of economic development in the border regions. As the strength of development changes, the strength of the contacts with the hinterland changes at an inverse proportion. Within a short period, the border will lead the hinterland areas into stronger relations of interdependence. The meeting of the hinterland and border economies create pressure which forces the ports to do well in their role as "transfer hand." However, the various ports are all probably the same level of "transfer hand." Thus, competition is unavoidable because of self-imposed conditions whereby disparities exist in the hard environment and soft environment provided by hinterland cooperation. The superior ports hold great attraction to the hinterland; they can attract cities with strong economic strength and form cooperative relations. Otherwise, the ports will be

deserted. Thus, creating the perfect social environment in combination with the hinterland is the main piece of work for the ports and herein lies the hinge for a port's increase in competitiveness. Whether or not they can achieve this is an uncertainty. Second, Sino-Soviet border trade has a long history as shown in the classics and books, of which the new kind of trade that began in the 1950's left an especially deep mark. However, trade today is at a level of the 1980's and it is different from any other period in history. Under the guidance of the ideological strategy of international division of labor which the Soviet Union has actively participated in, the markets of border regions have gradually been open wide to the world. In the 360,000-square-kilometer market of Amur Republic with a population of 1.09 million, Japan, Vietnam, the Democratic People's Republic of Korea, member countries on reciprocal terms and many other countries contend with each other to get in and trade. Also, transportation in the Soviet border regions is fairly well-developed, trains are prompt and convenient, air transport has cut down the distance between remote districts and the hinterland, and this has provided beneficial conditions for entering the international market in all directions. Aside from such products as vegetables and fruits which rot easily, are difficult to keep fresh, and which must be imported from neighboring nations, the rest of the commodities which must be imported know no restrictions of distance and only good things with low prices will enter the market. In this way, ports place themselves in the middle of fierce international market competition; whether or not they can have full assurances of success lies in the hand of their counterpart across the border. This is another cloud of uncertainty that hangs over the ports.

Storm clouds of uncertainty make the ports nervous. However, this is not a bad thing, for it can compel people to think creatively and strive for ways to be successful.

2. The Advantages and Disadvantages of Barter Trade

Sino-Soviet border trade is barter trade where goods are exchanged for goods. This probably can be traced back to self-initiated economic behavior of people on both sides of the border which later became an official form of trading. Historically the scope of this barter trade has been restricted to within 15 kilometers on either side of the border with the trading parties penned into a fixed arena. Border trade that is now under development has broken out of this scope. Both China and the Soviet Union are now using the ports as windows of entry into the whole country. In the port city of Blagoveshchensk, capital of the Soviet Republic of Amur, the Amur Agricultural Committee, the Consumers Cooperative, and state and municipal commodity bureaus act as representatives for others throughout the state and for other areas outside the state to conduct business with the port of Heihe. Staple commodities that they export like cement and chemical fertilizer are not likely to come from the state but for the most part are supplied by other

states. On the Chinese side, the border trading companies strikes up the deals for the port of Heihe with the Soviets. They act as the representative for the countries and cities within the region as well as partners outside the region in the southern Soviet Union to manage trading business at the Sino-Soviet border. Those actually participating in the border trade and the trading of those import and export commodities are not limited to the border areas and are now spreading throughout the whole country.

Goods are traded for goods in border trade, and currency as an intermediary is left out of the process. However, it is not like trade in the past before we had currency where a sheep would be exchanged for two hatchets. It is a special kind of mutual transfer of use value. Customarily, the currency of a third country like the Swiss franc is used as a concept of currency to carry out value calculations, accounting, and evaluating import and export commodity values so as to achieve exchange of equal value. Trade settlements and deficit compensation between two countries are also balanced by goods—the use value of commodities. This type of trade doesn't use foreign exchange, it isn't influenced by fluctuations in foreign exchange rates, and it doesn't rise and fall with international financial business. It is not complicated by red tape, and it is easy to do.

However, as international foreign exchange trade becomes increasingly developed and the domestic planned commodity economy turns quickly toward scientific management, difficulties exist in the development of barter trade. First, trade behavior that is to be long term and that can consistently come up with whatever use value the other party needs in order to do business must rest on a foundation where the neighboring areas of both sides near the border have economic development that leads to mutually supportive and fairly stable production set-ups and must be predicated on the strength of the use value in the trade to keep third parties from participating. However, accomplishing this much is no small feat. Second, barter trade is subject to the maximum quantity limit that meets the needs of the "parties." It only satisfies the markets in the relevant border areas and the domestic markets in the neighboring areas. These kinds of use value imports made on the basis of fixed requirements, with the market having no ability to deal with changes, either can't or find it difficult to be sold off to third countries, and they can only be sold in fixed domestic markets. As domestic market mechanisms continually grow stronger, competition will cause prices to rapidly rise and fall, and matters which are "fixed" may change in the blink of an eye. If "fixed matters" aren't based on scientific market predictions, they will either find it difficult to move even a step or be subject to blind compulsion, with the result being losing propositions. However, to bring about scientific market forecasting, more is required than merely snapping one's fingers. Third, barter trade is export of commodity use value. But value doesn't flow between the two trading countries. One country can't directly earn

the money of another country. Only the economic results of foreign trade imports can be calculated. However, the general formula for calculating the economic results of foreign trade imports is not fully applicable to barter trade. One makes domestic purchases of certain commodities, goes across the border to trade them for commodities of a different nature, and then returns home to sell them. Both the purchase and the sale occur within the country and are carried out in domestic markets. If the purchase price is less than the sale price, a profit is made; if greater, a loss is incurred. Whether one profits or loses is completely dependent on the traded items one returns with. The economic situation of the use value with a different nature will be either it is an item that temporarily can't be produced domestically, or it is an item that is difficult to produce domestically, or it is an item that was produced at a higher rate of labor productivity than would occur domestically. Only with these special items will there be comparative benefits between countries. Otherwise, there will only be a domestic redistribution of a fixed amount of local currency among domestic trade parties. Thus, if we want to trade these special items into the hands of our trading partner, we must accurately size up our partner's market. Accomplishing this is also no small feat.

3. Border Trade Is Restricted to the Border

International trade dealings as well as economic and technological cooperation is one way the relations between countries are expressed, and this is influenced by the political climate between countries. Border trade reacts in a particularly sensitive way in this regard. In the 1950's, Sino-Soviet friendship grew increasingly deep and border trade rose to a historically high pitch of fever. But in the 1960's, China and the Soviet Union had a political falling out, border trade was completely suspended and the freeze lasted for over 10 years. Now Sino-Soviet friendship grew increasingly deep and border trade rose to a historically high fever pitch. But in the 1960's, China and the Soviet Union had a political falling out, border trade was completely suspended and the freeze lasted for over 10 years. Now Sino-Soviet relations are entering a stage of flexibility and border trade is being revived. Economic and trade relations shift with the winds of political change and in this regard, border trade is the most sensitive of nerves. This is because the partner in trade is fixed, single, and selection is not allowed. Also, border trade is directly in the political firing line between countries—the border; it is not a very safe place. This is a fact that has been tested and verified throughout history and is also an objective rule that cannot be ignored in international dealings. One should act with caution.

At the same time, the areas neighboring the Sino-Soviet border are fairly backward compared to our hinterland and require a great effort to be developed. Developing and utilizing the abundant natural resources of the border regions not only is an important link in ensuring a healthy cycle in the domestic economy but also is an

important step for a country to achieve balanced development and to enter the ranks of the advanced countries of the world. Border trade is one way to vigorously develop the borderlands. Its aim must be to serve the development and construction of the borderlands. Of the problems in border region development and construction that await a prompt solution, on the face of it there is a shortage of funds, but actually there is a lack of an improved mix of such key production elements as appropriate advanced technology and equipment. This is particularly problematic in China. The problem is, even with funds, it is not certain that the funds can be exchanged for key elements of modern production so as to form a good mix. However, once good combinations of key elements of modern production are obtained, one is certain of the ability to bring in even more funds (surplus value). Border trade has the important twin functions of accumulating funds and promoting good combinations of key production elements. Supposing one earns money from border trade, develops the financial resources and is able to provide a certain amount of funds for production, the result, to draw an analogy, will be only an egg. Work will still be required before a chick can be hatched. Supposing that the production territories in the border regions of two countries meet in border trade and bring about reciprocal flow of key production elements that facilitate their creating good combinations and create actual productive capabilities, the result will be a hen capable of laying eggs. Many forms of border trade exist; some can provide egg-like profits, while others can provide hen-like profits. Whichever form of trade is selected as the most appropriate and implemented, its basis for being selected should first and foremost rest in its ability to bring vitality to the border regions.

4. Special Trade Must Be Dealt With in a Special Way

Sino-Soviet border trade has such distinguishing features as fixed trade partners, a barter form whereby "holes are filled in," the clear motive of developing the borderlands and a fairly sensitive condition of reaction to political movement.

As was pointed out earlier, participation in this kind of special international trade requires that both sides have as a foundation a pattern of mutually supplemental economic development. This mutually supplemental economic pattern must be consciously adjusted and built. As an example, the existing economic arena involving the Soviet Republic of Amur, known as "the granary of the Far East," and the Heihe region which lies across the river is roughly as follows: in 1987, the Amur Republic industrial and agricultural ratio of output value was 6.3 : 3.7. They have an industrial economy that predominates. In the same year, the Heihe region industrial and agricultural ratio of output value was 3.9 : 6.1 (local requirements). Our agricultural economy is predominant. Consequently, a situation is created where industrial shortage is remedied by trading surplus agriculture, and vice versa. In border trade, the Heihe region

can consider using agriculture to trade for industrial items and light industry products to trade for heavy industry products. The Republic of Amur can do the opposite. Thus, this only goes to illustrate the economic position that the two sides of the Sino-Soviet border have arrived at in developing and constructing the border region, and the different levels of development that have already been created. It only points out the overall direction the two sides have taken in trading goods for goods. This overall direction is a rough sketch; it doesn't show the specific road signs for advancement. It doesn't contain the specific items involved in the trade of agriculture for industrial items, and the trade of light for heavy. We must use the trade that is currently being conducted as a directional guide for future creation of trade, namely, development of the export-oriented economy.

Because the Sino-Soviet border regions are in a stage of development, lags in production of certain short items are a common failing. For example, production funds are extremely short, some consumption items are really hard to get, etc. The Republic of Amur has demanded that it get agricultural items like pork and beef from Heihe in exchange for its industrial products like cement and chemical fertilizer. But, these kinds of products are those that are in short supply in the regional markets and domestic markets; there is no way we can trade pork and beef for the industrial products of Amur Republic. So, only by constructing the export-oriented economy can we guarantee export commodities, truly avoid clashing with the planned trade of the state, and not squeeze items out of the domestic markets.

Under general conditions, the export-oriented economy is formed on the foundation of a domestically oriented economy already possessing a certain development. That is, only after the production capabilities for a certain item has been developed to where it can cover domestic markets and meet domestic needs does it begin to enter the stage for development of an export-oriented economy. In different states of economic development, whether export-oriented or domestically oriented, the result will inevitably stem from development of the production forces and a process is required. If there is no process or it is lacking and the domestically oriented economic development is insufficient, an artificial manufacturing of an export-oriented economy may occur. This will lead to the export-oriented economy squeezing products out of domestic markets, international markets squeezing the domestic markets, shortage of commodities in domestic markets and rising prices. This all is in violation of the production goals of socialism. This is something to be avoided by all means when developing an export-oriented economy. Of course, the production base in direct service of the border trade is another matter.

As the border region develops its export-oriented economy and makes decisions on which way to invest, not only must it scrupulously abide by the basic standards

set forth above, but also it must fully consider what it will do if the other side were to decide suddenly that it didn't want a certain kind of product. Our production must both have the rigidity to break into the market on the other side and yet have the flexibility to turn around when need be and enter our domestic markets. That is, we need a bi-directionally oriented pattern of economic development where our exports can be sold in the domestic markets and our domestic products can be sold outside the country. The commodity production base developed to serve our border trade should also be like this. In a bi-directionally oriented economy, whether one lays primary emphasis on domestic markets or export markets depends on the supply and demand situation for these kinds of products in the border region markets. The cell in construction of a bi-directionally oriented economy—the enterprise—must draw support from sources in all areas. Under the premise of mutual benefits, cooperation on both sides of a country's border must first be used. Later one may consider cooperation within the country. Cooperation outside the country can bring about combination of the key production elements; cooperation inside the country can mean starting up corporations.

In the 1950's, Sino-Soviet border trade was basically pure trade of Chinese goods for Soviet goods. That was of enormous assistance to the production and lives in the border region at that time. In 8 years of border trade the Heihe region achieved a microeconomic profit of over 6 million yuan. A worker's cultural center was built that could accommodate 1,000 people. This was a memorial to the times. Now, the Sino-Soviet border trade that is developing must proceed in accordance with the mark of history and forge a new path that strives for economic benefits. We must boldly push forward with trade and break through the door into Soviet production and scientific territory to bring home suitable modern technology and equipment that fits into the relevant key production elements of our border regions and units of the southern Soviet Union. Also, we must move into the borderlands and concentrate ourselves toward creating a host of enterprises that will vitalize the border regions. This should be our strategy for development of the Sino-Soviet border trade.

Official on South Korean Trade Mission
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[Text] Beijing, Nov. 4 KYODO—A senior Chinese official said Friday [4 November] that China considers the mutual establishment of trade missions only natural if its trade with South Korea develops further.

The comment was made by Chu Baotai, deputy director of the Foreign Investment Bureau of the Ministry of Foreign Economic Relations and Trade, to the KYODO NEWS SERVICE.

Bao Yujun, deputy chief editor of the RENMIN RIBAO (PEOPLE'S DAILY), also told KYODO that the mutual establishment of trade missions in China and South Korea will be convenient if bilateral economic exchanges intensify.

These remarks represented the first public reference by Chinese authorities to their positive attitude toward the problem of exchanging trade missions with South Korea.

Until now, there has been no public mention of the matter in China, apparently out of consideration for North Korea.

The two Chinese officials attended a Sino - Japanese economic symposium held here Thursday and Friday under the joint sponsorship of the NIHON KEIZAI SHIMBUN, a major Japanese economic journal, and the RENMIN RIBAO.

South Korea and two communist states—Hungary and Yugoslavia—have already mutually set up trade office. Moreover, South Korea exchanged memoranda with the Soviet Union last month concerning mutual establishment of trade missions.

South Korea's relations with Hungary have become still closer recently to the extent of mutually stationing representatives of ambassadorial level.

However, Chu denied the possibility of China elevating its relations with South Korea to such a level. China follows a policy of separating economics from politics, he said.

Bao also pointed to the absence of diplomatic relations with South Korea.

He said, however, that China is pursuing a reform for separating business enterprises from the government and thus can do business with anybody.

The timing of the mutual establishment of trade missions by China and South Korea will depend on the progress of trade relations, he added.

A Japanese participant at the seminar noted that Japan and China expanded bilateral trade even when they had no diplomatic relations, and asked Chu how China would deal with South Korea.

Chu said China will treat South Korea on an equal footing with other countries, welcoming its trade and investment—especially in high-technology and export-oriented industries, although ties with that country will be limited to the nongovernmental level.

The two-day symposium on the economic development of China's littoral areas and economic and technical cooperation between Japan and China was attended by about 200 representatives from both sides. It has been held in alternate years since 1984.

Developing China's Overseas Investment
40060029 Beijing CAIMAO JINGJI [FINANCE AND ECONOMICS] in Chinese No 7, 12 Jul 88 pp 52-55

[Article by Ren Huizhong 0117 2585 0022, Zhejiang Metallurgical Economy Training School]

[Text] How shall China develop an export-oriented economy? The approach currently being taken by many theorists is confined to the traditional model of relying on exports to expand the world market. In the present international economic environment, trade protectionism has grown constantly, and various countries have adopted tariff and non-tariff measures to tighten restrictions on imports. I believe that under these circumstances, the traditional model of relying on exports to expand the world market clearly won't do. In developing an export-oriented economy and following the path of economic development of the "great international circle," China must develop overseas investment to spur on exports and expand the world market.

I

Various nations in the world today attach great importance to developing overseas investment, and all of these nations use the competitive strength brought by overseas investment to make inroads into the international market and expand foreign trade. Western economists believe that it is overseas investment, rather than world trade, which will promote the continuous development of world economy. China is a developing socialist country, and the use of foreign investment will play an important role in China's modernization and in promoting the development of the national economy.

Developing overseas investment and opening an international investment market will help break through trade protectionism, which is gaining strength internationally day by day, avoid trade and tariff barriers, and expand the world market. At present, most of China's export products are labor-intensive products; these products have low competitiveness, are easily substituted, and are often the first products to be subjected to protectionist restrictions. By developing overseas investment and setting up enterprises overseas, it is possible to avoid the local public's bias against foreign goods, keep abreast of local market quotations, understand local customs, improve products in a timely manner, and manufacture goods for which a demand exists. It is also possible to enjoy preferential treatment by the host countries, lower production costs, and strengthen product competitiveness, thereby breaking through the successive layers of obstacles posed by trade barriers, changing the "product marketing" model into an "on-site

production" model, expanding the world market, and making overseas marketing multidirectional. This is at the same time helpful in setting up a network for monitoring and keeping abreast of world market quotations, obtaining the latest information, and seizing the best trading opportunities.

The development of overseas investment can be coordinated with the domestic use of foreign capital to form a two-way flow of capital and products. Since China implemented a policy of opening up to the outside world, projects utilizing foreign capital have developed very rapidly and have played a significant role in China's economic construction. At the same time, a one-way flow of foreign capital and products into China has been formed, bringing the twin evils of yielding to foreign markets and a shortage of foreign exchange. Looking at the situation in recent years of the three kinds of partially or wholly foreign-owned enterprises, there have been many domestic consumption-oriented enterprises and few export-oriented enterprises, with fewer than 10 percent of enterprises doing over 50 percent of their marketing abroad, and fewer than 30 percent of these enterprises have balanced their foreign exchange income and expenditures. Therefore, on the one hand we should encourage the export of products by the three kinds of partially or wholly foreign-owned enterprises, and on the other hand we should take the initiative in investing and establishing enterprises overseas, directly making inroads into the international market, achieving a two-way flow of capital and products, and laying a firm foundation for domestic utilization of foreign capital.

Developing foreign investment can give impetus to the export of mechanical equipment, finished and semifinished products, and labor, and expand foreign trade. The method of using overseas investment to give impetus to a country's mechanical equipment exports is very common in the world today. For example, about 40 percent of India's exports of mechanical products are related to foreign investment. China's overseas investment and establishment of enterprises, in addition to requiring a certain amount of capital, also requires the mechanical equipment needed for production, and if assembly is implemented, a steady stream of semifinished products, spare parts, bulk goods and the like may also be exported from China. If a joint venture is implemented, aside from spot exchange income, it is also possible to use China's mechanical equipment, technology, and patent rights in investment appraisal. Therefore, developing overseas exports will give impetus to multi-channel exports of China's mechanical equipment, finished products, and semifinished products.

In developing overseas investment, through investing and setting up factories in developed countries, it is possible to obtain advanced scientific and technical knowledge and scientific management experience. Through attracting foreign firms to set up enterprises in

China, China can at most import their mature or standardized technology, and cannot obtain the most up-to-date technology. If China invests and sets up enterprises in developed countries, it will be beneficial toward breaking the international technological and economic blockade, directly studying and utilizing advanced scientific results, the transfer of which is controlled by other countries, and keeping abreast of, and becoming thoroughly familiar with, trends and tendencies in international economic and S&T development. In addition, placing China in an environment of international competition is beneficial toward learning from advanced foreign management experience, and toward developing and fostering a group well-trained technical and management personnel competent to compete internationally; it is also advantageous from the standpoint of allowing China to learn on the spot about the international market economy's movement mechanism and get feedback, and it is also helpful in improving China's ability to control the importation of foreign capital and technology, thereby obtaining twofold economic benefits from overseas investment.

Developing overseas investment can also increase foreign exchange income and remedy shortages of foreign exchange capital. In recent years, China's use of foreign capital has accelerated, but exports of products has been unable to keep up with this, and foreign exchange deficits have appeared over several years in succession, causing a serious shortage of foreign exchange capital. To resolve this problem, it is necessary to find a way to increase foreign exchange income. In the past, we devoted our efforts primarily to promoting exports, and paid attention only to increasing trade revenue, while with regard to non-trade revenue, we attached importance only to the tourism service industry and neglected the development of overseas investment. It is precisely this area which is an important source of foreign exchange revenue. From a global standpoint, the growth rate of overseas investment has surpassed that of export trade volume and developed countries in particular are attaching more importance to overseas investment. Now, many countries' investment profits and interest income from overseas investment can compensate for the profits and dividends obtained and taken out of the countries in question by foreign investors. China's development of overseas investment, establishment of enterprises overseas, direct marketing of products on the international market, and direct acquisition of foreign exchange is, from the standpoint of avoiding trade protectionism, an important way of increasing foreign exchange income in the future.

We should open new channels for obtaining resources in short supply from overseas. China is commonly called "a vast territory with abundant resources," but its per capita possession of certain important resources is actually below the world average, and every year China must spend a large amount of foreign exchange to import from abroad steel products, aluminum, iron ore, and certain rare metals. Shortages of resources have become an

important limiting factor for China's economic development. How shall we resolve this contradiction? One way is to turn to the outside world, through developing overseas investment and the use of foreign resources. This would help relieve the tense situation with regard to China's supply of energy sources and raw materials and would be a supplemental method of preserving China's stable national economic growth and maintaining a follow-up force for long-term economic development.

II

Now that China is developing an export-oriented economy and is following the "great international circle" development route, it must adopt the model of developing overseas. Then is it actually possible at present for China to develop overseas investment? According to the "Eclectic Theory of International Production" of the well-known British overseas investment theorist John Dunning, a nation's overseas investment is determined overall by three factors:

A. Ownership rights dominance, referring to assets, or the ownership rights thereof, which one nation's enterprises possess or are capable of obtaining, but which another nation's enterprises do not possess or are incapable of obtaining. This includes possession of production factors (natural resources, capital, and technical labor force); goods production technology, such as technical patent rights, trademark rights, and certain marketing, financial, and organizational management technology. Ownership rights dominance has shown what conditions a nation's enterprises must possess before they can carry out production investment overseas.

B. Internalized dominance. Enterprises may use their ownership rights and assets in two ways. One way is to sell the right to use their assets to another country's enterprises; another way is to use their ownership rights and assets in overseas investment, earning profits in overseas production, and thereby internalizing the enterprise's ownership rights and assets. If the latter method is more advantageous than the former, it means that the enterprise has internalized dominance, leading to overseas investment.

C. Regional dominance, referring to cases in which a nation's enterprise locates a portion of its production facilities overseas and engages in production; if the overseas production can earn more profits than domestic production, then the regional dominance of the enterprise lies in overseas investment, leading to overseas investment.

Based on this theory, it is not difficult for us to draw the following valuable conclusion—developing overseas investment does not depend entirely on a nation's absolute dominance in such areas as level of economic development, foreign exchange capital and technology; rather, it depends on a nation's relative dominance. A nation which lacks construction capital and advanced

technology does not necessarily lack the conditions for developing overseas investment. Therefore, I will make a tentative analysis of the possibility of China's development of overseas investment, based on the Eclectic Theory of International Production, in light of China's conditions.

Level of economic development. According to the dynamic analysis of the Eclectic Theory of International Production, a nation's overseas investment position is related to its level of economic development, and the higher a nation's per capita GNP, the greater its net volume of overseas investment. There is a great disparity between China's level of economic development and that of developed nations, but China's conditions are not inferior to those of developing nations which are already implementing overseas investment on a considerable scale and achieving results. India has been developing overseas investment for over 20 years, and in the 1970's, its overseas investments exceeded by far its new foreign capital imports. However, during the period 1965-1985, the average growth rate of China's per capita GNP was 4.8 percent, while India's was only 1.7 percent. In 1987, China's GNP reached 1.092 trillion yuan, with a 9.4 percent growth rate. This was a more rapid rate of growth than those of developed nations, developing nations, and the socialist economies of the Soviet Union and Eastern Europe during the same period. From the standpoint of development trends during the 9-year period 1979-1987, during which China implemented a policy of opening up to the outside world, the average annual growth of China's GNP was over 9 percent, while that of developing nations was about 3-4 percent. It is evident from this that China is fully capable of developing overseas investment.

Foreign exchange capital. According to the Eclectic Theory of International Production, capital is an important factor in developing overseas investment. China, like other developing nations, lacks construction capital and foreign exchange and is in a rather inferior position with respect to financing overseas investment. However, since implementing the policy of opening up to the outside world, China has made a breakthrough in the use of foreign capital. This has created conditions for the source of capital sought by China for developing overseas investment. Actually, almost all the overseas investment of developing nations is supplemented by absorbing a large amount of foreign capital, and all of the nations which carry out the greatest amount of overseas investment are also the nations which receive the greatest amount of foreign investment. To reiterate, developing overseas investment by no means depends entirely on exporting a large amount of capital from the investor nation; rather, a large amount of financing is received through such channels as international banks, capital markets, and government loans. At the same time, raising funds in the host country, borrowing from third countries, and winning financial aid from international financial institutions are also channels for obtaining capital. Moreover, money capital is not the only form of

overseas investment capital; mechanical equipment, technology, patent rights and the like may all be regarded as investment capital. In addition, Chinese banks have established overseas branches in many countries and regions of the world, forming a Chinese banking group of considerable scale and strength, which will become a financial backer of China's development of overseas investment. Therefore, in China's development of overseas investment, our relatively inferior position due to lack of domestic funds can be overcome through effort.

The technological aspect. Technology is regarded by the Eclectic Theory of International Production as an important factor for the development of overseas investment. China cannot compare with the developed nations' large-scale, highly specialized and standardized technology-intensive and S&T-intensive technology; however, through economic construction over the past 40 years, China has established a large-scale, well-varied industrial base. Particularly in a number of big industrial cities, the level of enterprise management and technology is quite high, and in many industries, such as electronics, machinery, smelting, chemical engineering, instruments, pharmaceuticals, and food processing, through the introduction of foreign capital and technological renovation in recent years, there has been a surge of many world-class, state-of-the-art technologies, products capable of competing on the world market, and a number of high-quality enterprises, which have provided a good material base for China's development of overseas investment. This is China's relative competitive strength. But the "uniqueness," in the markets of various countries, of China's unique traditional crafts, characteristic technology, and products is China's absolute competitive strength. In addition, even though China's production technology as a whole lags behind that of the developed nations, it holds a leading position in some high-tech areas. Therefore, China can fully utilize its relative and absolute competitive strength in technology to develop overseas investment.

At the same time, China also has two special strengths in developing overseas investment. First, China is a socialist state based on public ownership of the means of production; the various enterprises and departments form a unified whole with basically identical interests, making it possible to coordinate various strengths, use group management strength, and cooperate in implementing technology and product research and development. This is something with which the private enterprises of capitalist nations cannot compare. Second, China also has a large population, and overseas Chinese and foreign citizens of Chinese origin live widely scattered throughout the world. They not only enjoy all of the advantages of the countries in which they reside, they also maintain varying degrees of contact with China, keep abreast of conditions in China, are fervently patriotic, and can act as go-betweens in China's development of overseas investment.

Finally, China can also learn from the experience of developing nations which have developed overseas

investment. One important reason for the rapid growth of overseas investment by developing nations in recent years is that they have been willing to make rather large concessions with regard to such sensitive issues as ownership rights and foreign income distribution. They have generally adopted the form of joint ventures with their host countries, have been willing to share rights reciprocally with their host countries, and they have generally remitted only a fairly small amount of their foreign profits back to China; this has earned the appreciation of their host countries, and promoted development of overseas investment.

III

For China to develop an export-oriented economy and overseas investment and engage in transnational operation means participating in international competition on a worldwide scale. Therefore, proceeding from the conditions in the countries in question, China must break a new path.

A. Establish a specialized management agency. This would be responsible for formulating a long-term development program for China's overseas investment, including strategic goals and missions of overseas investment, regions and countries for overseas investment, areas and departments of investment, forms and channels of investment, scope of investment, and leadership and coordination of overseas investment. This agency should also provide unified leadership and coordination of feasibility studies of overseas investment by various departments, examine and approve large-scale investment projects, get an overall grasp of the whole nation's investment, unite against other nations, prevent multiple internal competition, avoid mutual pressure between exporters spurred by investment and trade exports, avoid eagerness for quick success and instant benefit, and rushing off half-cocked. At the same time, the agency should boldly transfer authority for examination and approval to lower levels, simplify the administrative structure of examination and approval, and bring into play the enthusiasm and initiative of each locality and department in order to avoid forfeiting opportunities.

B. We must by all means strengthen the domestic planned commodity economy's movement mechanism. Unless overseas investment is based on a constantly developing domestic commodity economy, it can have not future.

C. Take the joint operation method as a basis. Protectionism is currently rampant, and many nations have established various tariff and non-tariff barriers. Most of the developing nations, in particular, have imposed relatively strict restrictions or prohibitions against the entry of foreign capital or have prohibited the establishment of wholly foreign-owned enterprises in specific industries, stipulating that newly established enterprises with investments from foreign firms must involve the participation of local capital, as well as stipulating that

foreign-owned shares may not exceed 50 percent. Some nations even use various rewards and penalties to encourage the establishment of joint venture enterprises. In addition, since China is in the initial stage of developing overseas investment, it lacks experience, and so it would be rather risky to invest in wholly Chinese-owned enterprises. Therefore, it would be best if China could develop overseas investment through joint ventures with private capital in like industries of the host countries. In this way, China not only could make full use of such advantages as its partners' marketing channels and marketing technology, as well as their intimate knowledge of local laws, taxes, and market and transportation conditions, it could also adapt to the local investment climate and reduce investment risks, in order to facilitate the smooth entry of Chinese products into the international market.

D. Improve research into the investment climate. In order to ensure a fairly large safety margin for investment, in addition to relying on concerned departments within China, we should establish joint venture consulting firms overseas, collecting, researching, and providing information on basic conditions especially for the development of overseas investment, in order to guide China's investment. These conditions include, for example, the national political situation and economic development situation, policy formulation, laws and regulations, investment protection, taxes, financing system, consumer trends, marketing conditions, market demand, and cultural conventions. Joint venture consulting firms should also help investigate and keep abreast of such factors as the credit, strength, operational conditions, and cooperative attitude of partners in specific projects. These consulting firms should not only react passively, they should also actively track down and analyze information, and provide reliable information for project feasibility studies, in order to avoid blind and low-return investment. In addition, these firms can use the advantages of permanent residence overseas to launch research on international investment, and keep abreast of new developments and trends in international investment, especially strategic information—i.e., information which, through comprehensive research, can play a leading role—and provide a sound basis for China's macro-economic policy-making with regard to overseas investment. China can also directly entrust the task of providing information to foreign consulting firms, because they are intimately familiar with conditions in the concerned regions, their information sources are reliable and they have a multitude of channels, their collection and processing methods are advanced, and the information they provide is accurate and fast.

E. Pay close attention to the training of talented personnel. In order to develop overseas investment, infiltrate the international investment market, and beat the opposition in competition and tests of strength, we must train a number of groundbreaking entrepreneurs, pioneering specialists, and operational managers. This task can by no means be put off.

F. Perfect economic legislation as soon as possible. At present, many developed and developing nations, as well as the Soviet Union and the socialist states of Eastern Europe, have formulated a series of laws, regulations, policies, and measures to develop overseas investment. Although China has overseas enterprises, it still has no overseas investment legislation. Therefore, using international practice as a reference, and in concert with the policy of giving preference to enterprises setting up joint ventures in China, we should formulate as soon as possible laws and decrees concerning overseas investment, such as international investment and overseas joint venture enterprise law, overseas direct investment laws and the like, in order to promote the smooth development of China's overseas investment. In addition, we should negotiate with concerned nations as soon as possible and conclude bilateral investment protection agreements and agreements to refrain from imposing double taxation, and actively support overseas investment by concerned enterprises in China.

PRC MEDIA ON FOREIGN ECONOMIES

Lessons From Hungary's Economic Reform in 80's
40060016 Beijing SHIJIE JINGJI [WORLD ECONOMY] in Chinese No 7, 10 Jul 88 pp 63-66

[Article by Xuan Xingyun 1357 2622 0061, Chinese Academy of Social Sciences World Economics and Politics Institute: "Special Characteristics of Hungary's Economic System Reforms in the 80's"]

[Text] From 1956, when Hungary adopted several agricultural adjustment measures, to the beginning of the 1970's, Hungary's economic system reform went through roughly two stages of development. The first stage began in 1956-57, and primarily eliminated compulsory selling to the state in agriculture and reduced command-style planning in industry. The second stage began in 1966-68, and primarily shifted rural reform to the cities, completely eliminated the assignment of command-style planning targets by the state to enterprises, changed to the use of economic measures to regulate enterprise vitality, and implemented a unique guidance-style planning system.

During the period 1967-72, the average annual growth rate of national revenue was 6.2 percent, market supply of goods and materials was abundant, average annual growth of staff and workers' nominal wages was 4.7 percent¹, the living standard rose dramatically, and Hungary was renowned as the "paradise" of the Soviet Bloc. But at the end of the 1970's, Hungary's economy started going downhill, and now most economists believe that Hungary's economy is on the brink of a crisis. Laszlo Marothy, member of the Politburo of the Hungarian Socialist Workers' Party, Deputy Premier of the Council of Ministers, and Minister-Chairman of the National Planning Office, has pointed out in an article that "this

is the most difficult stage in the history of the development of Hungary's national economy"; and Gaspar Sandor, member of the Politburo of the Hungarian Socialist Workers' Party and President of the Central Council of Hungarian Trade Unions, has also stated recently that "the most complicated situation" since the 1956 Hungary Incident has emerged in Hungary's economy. During the period 1979-85, average annual growth of national revenue was under 1 percent, and 1985 showed minus growth. Commodity prices rose considerably, the actual living standard dropped, and during the period 1980-85, the retail commodity price index rose 38 percent², while the actual wage level of staff and workers dropped 5 percent. The economy went out of control, and the fiscal deficit increased dramatically. In 1986, the budget deficit reached 46 billion forints, equivalent to the total fiscal deficit for the period 1981-85. The international balance of payments situation worsened, and foreign debt increased, until by 1987, the Hungarian Government's foreign debt had reached \$16 billion³, with a per capita foreign debt of \$1,509 the highest in the Soviet Bloc. Each year, Hungary must pay back \$3 billion in principal and interest, accounting for about 35 percent of foreign exports. At present, Hungary's economic difficulties are not only causing sharp repercussions within Hungary, they have also become a focus of attention for the Soviet Bloc and other countries.

Hungary's government has adopted a policy of controlling the serious economic difficulties which have emerged, and has tried hard to achieve economic balance and to correct the difficult situation through such means as constant adjustment of economic regulatory measures and simple reduction of investment and limiting of imports, but this policy of control has produced after-effects.

Therefore, since the late 1970's not only have the economic difficulties not been corrected, they have gotten worse and worse. Hungary's government has learned from this experience that it is unrealistic to correct economic decline merely through adjustment of economic regulatory measures, and that it is necessary to disentangle the new and the old systems, and carry reform through to the end. In April 1984, Hungary's Central Committee convened a plenary session, and reaffirmed that the basic principles of the 1968 reforms were correct, and that they should be unwaveringly carried out. It also passed a resolution to continue to implement reform and to further perfect and develop the economic management system. From the mid-1980's, Hungary adopted repeated reform measures and entered the third stage of economic system reform. Put into a nutshell, the main features of the third stage of Hungary's economic system reform are generally as follows:

First, combining economic theory with practice, the economic system is freed from the traditional concept of socialism, and certain categories and management methods of capitalism are used to organize economic activity.

At the time of the 1968 economic system reform, Hungary's economists seriously discussed the nature of socialism, and believed that commodities and commodity production would exist in this historical stage of socialism. They pointed out that a commodity economy under socialist conditions had a unique nature and at the same time had the general character of commodity economies. They pointed out that, under socialist conditions, the role of commodities and currency had to be fully utilized, and that abolishing and denying the role of commodities and currency in the past was not only an error, it also had a very bad effect on socialist construction. Therefore, in economic management, planning and the market must be fully integrated. However, with the launching of the third stage of reform, in the process of developing reform and strengthening the role of commodities and currency, they further recognized that merely to stop at the above-stated understanding was not enough, and that it was also necessary to become free from the traditional concept of socialism and deepen understanding of socialism. Because the form of the world capitalist system is a precondition for producing socialism, socialism is a product and result developed by capitalism. Historically speaking, socialism was established on a foundation laid by capitalism, and socialism and capitalism are inseparably connected. After the victory of revolution in socialist states, productive forces remain relatively weak; premised on the organic combination of acknowledging the role of commodities, commodity production, and currency in the socialist state, abolishing command-style planning, and implementing centralized planning management, and fully bringing into play the active role of market mechanism, it is necessary to fully utilize certain economic categories and management methods of capitalism, such as the implementation of enterprise bankruptcy, dismissal of workers, bonds, stock companies, small-scale contracting, and a two-tier banking system. Using these economic categories and methods, which still exist and are playing an effective role in capitalist nations, is of considerable importance as a means of socialist construction, for developing production and vitalizing the economy. Recently, "two types of dogmatism" were criticized in Hungary. One type is "traditional dogmatism," whose proponents are concerned that applying concepts and methods of capitalism may jeopardize socialism and believe that this is incompatible with socialism and represents a restoration of capitalism, and have therefore adopted a negative attitude toward it. Another type is "reform dogmatism," whose proponents are concerned that firm adherence to socialist principles may adversely affect reform, and therefore exaggerate the importance of certain capitalist methods. They deny that these methods have specifically capitalist characteristics, and believe that they are inseparable from socialism, and are even decisive elements, and that adopting these methods will not cause any problems. Both of these viewpoints are wrong. The Hungarian Government has pointed out that the utilization of economic categories and management methods of capitalism must give full play to the role of ownership by the whole people, and that certain

capitalist methods which have emerged in the development of the role of commodities and currency must be regarded as indispensable effective methods of establishing and consolidating a ownership by the whole people system. Only in this way can the development of productive force be promoted.⁴

The second characteristic of the third stage of Hungary's economic system reform is that it represents an advance from macroeconomic reform to microeconomic reform. The previous two stages of Hungary's economic system reform were conducted in the macroeconomic sphere, and primarily did away with command-style planning and implemented guidance-style planning. The state primarily utilized such economic levers as price, public finance, credit, taxes, investment, and wages to control the operational activities of enterprises, switched from the method of using administrative measures to manage the economy, which had been used in the past, to adopting economic measures to manage the economy, switched from direct control to indirect control, and gave full play to the active role of market mechanisms. However, because of the suspension of all reform, it has not yet been possible to launch microeconomic reform. Practice has shown that unless microeconomic reform is implemented, the basic principles of the 1968 reform cannot be carried out, and contradictions may arise in everyday economic life. Even though enterprises are acknowledged to be independent commodity producers, and their autonomy as increased, enterprises have not really become operational units with independent accounting which bear sole responsibility for their own profits and losses. Each year, the state must still disburse a large amount of funds to subsidize deficit enterprises. Enterprises bear responsibility only for profits, not for losses, and leading departments concerned at the central level still interfere in the operational activities of enterprises to a certain degree. Economic regulatory measures implemented by the state are not completely legally binding. Enterprises can conduct bargaining according to their own operational situations and even refuse acceptance. In order to resolve these contradictions in everyday economy, arouse enthusiasm for production, and realize the basic principles of economic system reform, after entering the 1980's, Hungary shifted reform, which had been confined for a long time to the macroeconomic sphere, into the microeconomic sphere. In 1984, the government decided to stop issuing subsidies. In this way, it both promoted the improvement of efficiency of backward enterprises and was able to disburse funds to departments with more effective production, spurring them to renovate their equipment and carry out technical reform, as well as adjust their product mix. In addition to continuing to adjust economic regulatory measures, in 1986 the Hungarian Government also enacted an Enterprise Bankruptcy Law, in order to help poorly operated enterprises improve their operational management and economic efficiency. In July 1987, the plenary session of the Central Committee of the Hungarian Socialist Workers' Party decided to

reform the tax system and implement a general circulation tax (also known as an enterprise value-added tax) and a personal income tax. Because the circulation tax is determined based on the final amount of goods and services, tax departments levy the tax only on consumption, and it is paid by the final consumer. This has stimulated production, improved competitiveness, reduced consumption, given operational units more leeway for activities, accelerated enterprise technological reform, and aroused the interest of operational units in improving production efficiency. At the same time, doing away with the system of taking from the fat to pad the lean aroused the enthusiasm of highly efficient enterprises for production. In 1986, enterprise management and ownership rights were separated; small enterprises were contracted out to individual management, while state-run enterprises carried out leadership system reform.

The third characteristic is the gradual transition from product market reform to an integrated market system. After the 1986 economic system reform, the state basically did away with unified goods and materials allocation rights, and enterprises obtained the right to produce, allocate, and market goods, thereby forming a product market. However, the state retained allocation rights with respect to enterprise funds and labor force and did not form an integrated market system, particularly with respect to the capital market and labor market. Thus, enterprises are unable to make production decisions based entirely on market supply and demand when conducting production activities and are unable to dispose of funds and labor force in a timely manner. Enterprise is still dependent to a certain extent on the state's leading departments concerned at the central level for launching production and operational activities, which has limited enterprises' enthusiasm for production. Thus, the economic system reform of 1986 did not take into account the issue of market factors and did not form an integrated market system. This was a fault in the reform. Nyers, a former member of the Politburo and Secretariat who was in charge of the 1968 reform, believes that neglecting the capital market was a major defect of the 1968 reforms. Currently, 40-50 percent of Hungary's enterprises are short of funds and, according to the Enterprise Bankruptcy Law, are classified as bankrupt. If a capital market existed, it would give most of the enterprises experiencing operational difficulties a chance to catch their breath and recover. In this way, enterprises really likely to go bankrupt would account for about 10 percent. Therefore, a capital market is not only a necessary condition of industrial structural adjustment, it is also, at the same time, a necessary condition of strengthening the binding force of enterprise budgets. In 1985 Hungary, in the process of perfecting its economic management system, further reformed the banking system, changing it from the former one-tier system to a two-tier system and opened commercial banks in order to resolve the capital market issue. Because a one-tier banking system had been implemented in the past, and the state had centralized control of credit, it

could not respond flexibly based on market demand. This was detrimental to the acceleration of capital turnover and was not helpful in suspending the operations of deficit enterprises, and it was even more detrimental to the practice of strict economy. The establishment of commercial banks established credit on the basis of commercial activities; enterprises could launch lateral short-term loan fund activities, regulate and raise funds flexibly and in a timely manner, control the direction of capital flow, regulate gross social supply and demand, allow funds to be brought into play where they would produce the greatest economic returns, and adapt to the needs of enterprises' operational activities. At present, Hungary has established seven commercial banks, of which the largest is the Hungarian Credit Bank. All of the commercial banks operate in the form of stock companies and bear sole responsibility for their profits and losses. Competition among them is not conducted primarily with respect to interest; rather, it is carried out through types and quality of service. In addition to reforming the banking system resolving the capital market issue, also provides bonds and establishes a stock market, appearing in the form of specialized construction. In recent years, Hungary has believed that it is desirable to issue stocks and carry out exchange of stocks and has, therefore, expanded this form of investment and stepped up the adjustment and circulation of funds among enterprises. Beginning 1 September 1986, Hungary enacted the Enterprise Bankruptcy Law, and resolved the issue of the circulation of the labor force. The enactment of the Enterprise Bankruptcy Law is a major step in Hungary's economic system reform in the 1980's as well as a transition to an integrated market system. Enterprise losses have long been a serious problem for Hungary's enterprises, and put a very heavy burden on the state's public finance. The state currently uses 10 percent of the national revenue annually to directly subsidize deficit enterprises. Because deficit enterprises extend over a wide area, improper handling may cause political instability. Therefore, the state on the one hand sets up a rescue mechanism to help enterprises extricate themselves from predicaments and turn deficits into profits, and on the other hand provides proper placement for the labor force of closed enterprises and provides training for the personnel concerned and achieves a proper transfer of the labor force.

The fourth characteristic is proceeding from economic reform to political reform. Prior to the 1980's, Hungary's reform was carried out primarily in the economic sector, while political system reform was not yet in full swing. Since the existing organizations had been established based on the existing system, they fit the needs of the old system, and therefore, with the reform of the economic system, this old political system no longer suited the already-reformed economic system. Hungary believes that political system reform is an important condition for accelerating economic development, social progress, and socialist construction. The experience of reform proves that if the political system is not reformed for a

long period, and continues to use old methods to perform its function, it will in turn inevitably have an adverse affect on the operation and development of the new economic system and cause new contradictions and difficulties. Hungary's government decided that reform of the political system must be combined with perfecting the economic management system to make it adapt to the course of socioeconomic development, and in the course of reform promote development in the area of political and economic ideology. At the same time, Hungary believes that in the issue of political system reform it cannot go to extremes and must pay attention to creating conditions and make reform proceed gradually. In the course of political system reform, Hungary strongly emphasizes that the capitalist political system cannot become a model to be copied by socialist states. The problems which exist for socialist states in developing democracy cannot be resolved through the methods of bourgeois democracy. The direction of the political system's development should reflect the interests of various different groups, while adhering to socialist principles, and at the same time maintain and strengthen social solidarity and unity of action, gradually achieving modernization of the political system while avoiding the outbreak of major upheavals as much as possible. Political system reform must consistently ensure the leadership and organizational roles of the Hungarian Socialist Workers' Party.

In recent years, Hungary has adopted a number of highly significant measures in the area of political system reform. It has adjusted administrative organizations, developed an election system (commonly conducting differential elections), improved legislative and governmental work, formulated the principle of separation of party and governmental work, and clarified the positions and roles of such mass organizations as the Central Council of Trade Unions and the Communist Youth League under party leadership. Hungary's political system reform is gradually penetrating deeper, and future reform will advance primarily in the direction of the decision-making and organizational systems.

In the third stage of reform currently being launched by Hungary, in-depth development of reform is difficult, and, in addition, Hungary currently has serious economic difficulties and social bearing capacity is lacking. Therefore, there is a major policy dispute over reform in Hungary. However, the Hungarian Government believes that reform must be carried through to the end and that there is no way out without reform. With the passage of time and the accumulation of experience, further reform measures will successively emerge.

In order to carry out comprehensive social and economic management, on 2 July 1987 the Central Committee of the Hungarian Socialist Workers' Party passed an "economic and social vitalization plan." Although this plan primarily resolves economic problems, it also includes

such areas as economic and political systems, development of socialist democracy, and perfecting the education and training system. Janos Barabas, Deputy Director of the Agitation and Propaganda Department of the Central Committee of the Hungarian Socialist Workers' Party, believes that the plan has "three major pillars." The first is finding an effective method of resolving economic difficulties while adhering to the socialist system; the second is vigorous remolding of the production structure; the third is accelerating economic and political reform. This plan put forth stage-by-stage requirements for vitalizing the economy. The first stage is to last 3-4 years, or until 1990. The principal goals for this period are to reverse the trend of economic decline, slow down the growth of foreign debt, and reduce and eliminate the state budget deficit. The second stage is to continue until about the end of the eighth five-year plan, or until 1995. During this period, economic development is to be resumed and accelerated.

The history of Hungary's reform is very complicated, and it offers us both positive and negative lessons from experience. These lessons are valuable as a reference not only for Hungary but also for other socialist countries carrying out reform.

Footnotes

1. Hungary *Statistical Yearbook* 1977.
2. Secretariat of the Council of Mutual Economic Assistance (COMECON), "Statistical Yearbook of COMECON Member Countries," 1986.
3. PEOPLE'S DAILY, 30 October 1987.
4. Hungary "Social Commentary," Combined Issue 8/9, 1987.

AGRICULTURE

Jiangsu Silk Exports

40060084b Nanjing XINHUA RIBAO in Chinese
6 Oct 88 p 1

[Excerpt] As of 30 September, Jiangsu Province had earned \$265,020,000 in foreign exchange from silk exports, accounting for 100.39 percent of the annual plan, and was a 7.5 percent increase over the same period in 1987.

Speech by Ma Yongwei on Rural Finances

40060493 Beijing ZHONGGUO NONGCUN JINRONG
[CHINA'S RURAL FINANCES] in Chinese
No 14, 16 Jul 88 pp 4-7, 36

["Abridged version" of speech by Ma Yongwei 7456 3057 0251 at the National Conference of Chinese Agricultural Bank Branch Bank Presidents, 15 June 1988]

[Text]

I. Continue Implementing the "Tightening" Program and Support the Development of the Rural Market Economy

Since the outset of this year, agricultural banks and credit cooperatives at all levels have conscientiously implemented the "tightening policy" and have done much work and achieved remarkable success in such areas as controlling the total volume of credit, adjusting credit mixes, putting fund inventories in order, making better use of funds, and improving results. By the end of May, agricultural banks and credit cooperatives deposit balances had increased by 17.42 billion yuan over the beginning of the year and by 2.2 billion yuan over the same period last year; agricultural banks and credit cooperatives loan balances had risen by 19.5 billion yuan over the beginning of the year and by 5.5 billion yuan over the same period last year; agricultural banks had withdrawn a net 2.2 billion yuan in credit from circulation, 3.4 billion yuan less than the level achieved during the same period last year; and credit cooperatives had issued a net 18.8 billion yuan in credit, a rise of 1.6 billion yuan over the same period a year ago.

From an analysis of the data from the first 5 months of this year, we can make the following generalizations as to how rural credit-fund plans have been implemented during the period.

First, although agricultural banks and credit cooperatives deposits increased by 2.2 billion yuan over the same period last year, their rate of growth was 1.5 percent lower than the period a year ago.

Second, agricultural banks loans declined by 5.5 billion yuan from the same period last year.

Third, we have achieved remarkable results in our effort to make better use of funds and to create short-term readjustment funds. According to statistics from January through April, we helped industrial and commercial enterprises clean up their material and fund inventories and make better use of funds and thereby freed up more than 6 billion yuan in funds. And from January to May, the agricultural banks-credit cooperatives system registered a total of 36 billion yuan in short-term intra-system lending, an increase of 6 billion yuan over the same period last year.

Fourth, the amount of money rural credit cooperatives redeposit in banks declined by 12.5 billion yuan from the beginning of the year and by 3.6 billion yuan from the same period a year ago.

Fifth, the total volume of lending remained about the same as the period a year ago but underwent a mix readjustment. For example, the increase in loans to township enterprises was 1.3 billion yuan lower than that of the period a year ago, whereas the rise in loans for cultivation and breeding was 1.2 billion yuan higher.

In sum, the next 7 months do not look very promising for agricultural banks and credit cooperatives lending, and achievement of the objectives in our plan will prove a very formidable task.

The head bank hopes leaders of branch banks and credit cooperatives at all levels are clearly cognizant of the grim situation we face and will immediately adopt forceful and effective measures so as to prevent major fluctuations in credit operations during the last half of this year.

The first thing we must do is to continue tightening credit, bring the money supply under control, control loan volume, readjust credit mixes, make better use of credit funds and improve the effectiveness of fund use. The goal of our work is to continue to implement the credit fund plan approved by the People's Bank, and new situations and problems must be reported as soon as they arise. We must use credit funds selectively, setting disbursements in accordance with receipts and proceeding as our resources permit so as to cover deposit withdrawals and provide financial support for the procurement of agricultural and sideline products and for the development of agricultural production and to meet the reasonable needs of foreign-exchange earning enterprises.

Second, we must vigorously work to obtain credit funds and try every possible method to diversify our sources of funds. We must extend the savings-deposit responsibility system, concentrate on improving service, create new types of savings accounts, establish special savings accounts for agricultural production funds and for home building, and set up such new services as distributing workers' pay on behalf of employers and handling collection of water and electric bill payments. Departments must work under the leadership of bank presidents, effect division of labor and cooperation, and properly break down targets for organizing enterprise savings deposits among basic-level units and among relevant personnel, use savings levels to set loan levels, link savings and loans and manage the two operations together. Our work must focus on retaining big savings accounts and winning new accounts, for which we must strengthen our service and connections. We must make things convenient for all legal units to set up accounts and aggressively set up time deposits for units, manage these deposits flexibly in accordance with current interest-rate spreads, and enhance our ability to attract enterprise savings deposits. Trust and investment companies must also make attracting funds their number one task and strive to achieve practical results in this work.

Third, we must continue to uphold the policy of "lending more when there are more savings deposits, and lending less when there are fewer deposits" so as to give agricultural banks at all levels incentive for organizing funds.

"Lending more when there are more savings deposits" entails the following. Banks must remit prescribed amounts of savings reserves—which are set for each provincial, autonomous region and municipal bank—and set aside a certain amount of savings as their own reserves; meet state-mandated bond-purchase targets; remit payments at regular intervals into the centrally administered fund controlled by the head bank; and repay on time all interbank loans they receive. When these requirements are met, banks, if they organize more funds, may make more working-capital loans. But such loans should be focused on situations where localities have insufficient funds to procure planned amounts of agricultural and sideline produce. If there are any funds left over, the banks may consider reasonable needs in other areas. "Lending less when there are fewer deposits" requires that banks reduce lending if their savings-deposit levels are low and that they focus, when other loans are reduced to amounts below planned levels, on supplying the funds needed to make over plan procurement of agricultural and sideline produce. Where additional funds are needed to carry out this latter activity, the head bank will make certain readjustments as it sees fit. As for the additional savings deposits obtained by branch banks, the head bank plans to establish a system requiring that some of these moneys be deposited with the head bank at regular intervals. The actual amounts involved, time limits and interest rates on these remittances will be determined by the head bank in consultation with branch banks, and the head bank will seek to ensure that this system guarantees the principal of and some interest earnings for these funds, does not impede branch-bank fund use, and enhances the head bank's ability to make readjustments in short-term lending.

Fourth, we must reduce enterprise circulating-fund levels. State industrial-commercial and agricultural enterprises and supply-marketing cooperatives all are working to reduce circulating-fund use by 2 yuan per 100 yuan in sales (calculated as of the end of 1987). As this program is carried out, we should "free up funds first, then provide needed supplements" and use the funds freed up by this program to cover reasonable enterprises needs for circulating-fund loans. Where funds are not freed up, loan levels must correspondingly be reduced.

Fifth, we must bring overdue and dead loans back to life. We have required that at least 10 percent of such loans be recovered this year. First, recovered loans are to be used locally. Second, as much of the long overdue loans assumed prior to the implementation of the rural household contract responsibility system should be collected as possible. Bank cadres should be granted appropriate rewards and other units or individuals should be paid commissions for collecting such loans. However, we must ensure that recovery of these loans is effected strictly in accordance with government policy, takes into account the actual incomes of local peasants, refrains from administrative commandism and arbitrary uniformity, treats each situation differently, and is conducted

in a moderate, reasonable fashion. Third, loans recovered must be lent out again at appropriately favorable interest rates and for reasonable time periods. Agricultural banks at all levels must mobilize their forces and strive to recover 40-50 percent of all overdue trust loans. In principle, credit cooperatives may also follow the above approaches in their efforts to revive overdue and dead loans.

Sixth, agricultural banks must make a full inventory and clean-up of all the technological-transformation and capital-construction projects they are currently funding, distinguishing various types of cases and according them differentiated treatment. Projects that are included in the plan, involve marketable products, yield good economic returns and meet the requirements for continuation should be accorded continued funding as fund levels permit. Funding for nonproductive, unplanned projects that require scarce energy sources and that do not fulfill requirements for continuation should be terminated. And funding for some projects may be postponed.

Seventh, we must do a good job of funding agricultural and sideline produce procurement. First of all, we must step up efforts to forecast the amount of funds required for summer and fall procurement and make procurement funding a focus of bank lending. We must follow policy on funding procurement, handle different cases differently, fund the best produce, and prevent banks from committing to fund all enterprise procurement of produce. And, as our resources permit, we must "fund the best and most marketable" out-of-plan produce that local governments purchase and market at negotiated prices. Second, we must vigorously disseminate Hubei's experience. That is, we must first roughly calculate the total amount of funds needed for procurement and the total available from various sources. Then we should break down the sources of procurement funding, determining how much will be provided by financial departments to subsidize premiums for sales above quota, how much money departments and enterprises have raised, and how much funding agricultural, industrial-commercial and people's banks will provide, and ensure that all quarters work closely together and take the initiative in their work. Third, this year the state will release 18 million dan of cotton stocks in Shandong, Henan, Hebei, Liaoning, Shanxi, Zhejiang and Gansu to soak up approximately 3.6 billion yuan in loans, which moneys must be remitted by each province to the head bank to use to provide short-term loans to cover shortfalls in procurement funds. Fourth, we must vigorously promote the practice of paying peasants, so long as they agree, for some of their produce with checks only for accounts. Qualified localities may set up bank branches at procurement points to attract savings deposits, which will enable peasants to avoid carrying around large quantities of cash and will reduce the amount of credit in circulation. Fifth, keeping in mind the facts that the agricultural banks will be trying to concentrate its loans and that its deposits will continue to lag behind its loan levels, local agricultural banks, when confronted with a need for

temporary funds to help pay for procurement, should take the initiative in reporting the situation to their respective governments and people's banks and try to get the latter to help provide these funds.

Eighth, we must aggressively implement the plan for intensive management of credit funds, and properly conduct pilot tests of taking inventory of bank capital. This latter work is important and fundamental and must be accelerated. For by taking inventory of bank capital, we can ascertain how loans are actually being used, identify the factors that make loans overdue, high risk and dead, and thereby come up with policies to resolve these problems.

Ninth, we must improve fund-market mechanisms. The tighter credit funds become, the more agricultural banks at all levels must focus their attention on lower levels, orient themselves to enterprises and markets, utilize the temporal and spatial imbalances in fund use, and actively and effectively readjust credit and provide short-term loans.

Tenth, we must strengthen macroscopic guidance over the activities of credit cooperatives, and plan credit cooperatives and agricultural banks funding in a unified way. Credit cooperatives must first ensure that they remit sufficient deposit reserves, retain sufficient operating capital, fulfill their quotas for bond purchases and for special deposits, and set aside sufficient agricultural support funds for the next spring. When these things are accomplished, credit cooperatives may decide how to use their remaining funds themselves, so long as they adhere to the principle of setting loan levels by deposit levels and practice proportionate management.

II. Conscientiously Organize Pilot Tests of Operational Contract Responsibility Within the Agricultural Bank System

Central leaders, in response to the call by the Central Financial and Economic Leading Group to give impetus to the effort to transform specialized banks into real enterprises, ordered that during 1988 agricultural banks take the lead in carrying out pilot tests of financial contracts and operational contract responsibility systems and that the programs be extended to all other units after the Agricultural Bank's experience is summarized.

A. We Must Fully Understand the Importance of the Operational Contract Responsibility System

Over the last several years, the Agricultural Bank has implemented reforms in such areas as planning, credit, financial affairs and personnel. Nevertheless, for a variety of reasons, we have failed to resolve such fundamental problems as turning over to banks the authority to hold, use and distribute capital owned by all the people while making sure that the system of ownership is not changed, increasing bank operational and managerial responsibilities, linking the economic interests and benefits of banks and their employees, and gradually and

truly making specialized banks become real enterprises that participate in market competition and that bear responsibility for their own profits and losses. We have also failed to rectify the interest relationships between the state, enterprises and enterprise employees. These failings are a major factor contributing to financial enterprises' lack of vigor and responsiveness to markets. The Agricultural Bank's pilot testing of operational contract responsibility systems represents a major reform and the best approach to delineating the responsibilities and authority of the state, of enterprises and of enterprise employees; to improving enterprise managerial mechanisms; to strengthening the capabilities of enterprises to development and regulate themselves; to properly handling the interest relationships between the state, enterprises and enterprise employees; and to mobilizing the initiative of all employees in banks at all levels.

It follows, then, that the Agricultural Bank's pilot tests of operational contract responsibility will involve the very direction in which we wish to advance reform of the entire financial system as well as our strategic goals for future development. Thus we must do all we can to make this reform a success.

B. We Must Concretely Analyze the Problems and Favorable Conditions Involved in the Effort To Implement Operational Contract Responsibility and Build Up Confidence That We Can Fulfill Contract Targets

After joint discussions by the State Restructuring of the Economic System Commission, the People's Bank, and the Ministry of Finance, it was determined that the primary responsibilities of the Agricultural Bank in 1988 are to pay 2.45 billion yuan in profit taxes, to remit 10 percent of whatever profits are earned in excess of this quota, and to make up any shortfall that occurs if the bank fails to meet the quota. Assessments of the bank's performance in meeting macroscopic control targets and quotas for returns on funds will also be conducted, and the results of these assessments will be linked to the amount of profits the bank is allowed to retain. Macroscopic control targets will include ensuring that sufficient deposit reserves are remitted, effecting unified control of funds, purchasing the required amount of financial and development bonds, and staying within all command-plan limits. Fund-return quotas include the rate by which deposits increase, the rate by which loans are recovered, the use rate for credit funds, the rate of total administrative costs, and the fund loss rate. In cases where plan targets are not met, various deductions will be made in the amount of funds the bank is allowed to retain. So the Agricultural Bank's operational contract responsibility system involves "three undertakings and one linkage," namely, undertaking to remit profits, to meet macroscopic control targets, and to meet fund-return targets, and linking economic returns and economic benefits. To fulfill the contracted targets, we above all recognize the tremendous challenge they present; but we must also realize that they can be achieved.

To effect the contract responsibility system throughout the agricultural bank system, the head bank urges all provincial, municipal and autonomous region branch banks to make special efforts to contract targets down to county and city branch banks. How these latter branches are to operate shall be determined by the provincial, municipal or autonomous region branches.

C. We Must Correctly Handle Several Types of Relationships Involved in the Operational Contract Responsibility System

The Agricultural Bank is a socialist, state-owned financial enterprise that runs itself and practices independent accounting. What distinguishes financial enterprises from regular industrial and commercial firms is that the former deal in a unique commodity, money. And credit operations directly affect the entire national economy, so in contracting responsibility we must correctly handle the following types of relationships.

1. The relationship between macroscopic regulation and microscopic invigoration. The Agricultural Bank is a large system that serves as an important tool with which the state effects macroscopic regulation and yet possesses its own unique types of microscopic economic activity. Thus it is especially important that we properly handle the relationship between macroscopic regulation and microscopic invigoration. It therefore follows that we must make macroscopic control targets an important element in the evaluation of contractor bank performance.
2. The relationship between social benefits and bank profits. When the bank's interests clash with those of society, we must above all respect the latter. We should strive to increase bank profits only when such efforts are conducive to the development of rural social productive forces.
3. The relationship between policy implementation and profit making. The Agricultural Bank differs from regular commercial banks in that profits are not its sole objective. For the state still charges the Agricultural Bank with the responsibility of providing many policy-based loans. State macroscopic control is primarily effected in two ways, through planning and through policy. The Agricultural Bank can effect macroscopic control and microscopic invigoration and promote the coordinated and stable development of the rural economy only by implementing state financial policy and by observing laws and regulations in all the bank's operations.
4. The relationship between long- and short-term gains. In consideration of the peculiarities of banks, the state set the term of the Agricultural Bank's current, trial contract at one year. A half a year has already gone by since the contract was set. If we do not manage things well with this contract, people in our system may be tempted by the fast buck and indulge in short-sighted

behavior. We therefore urge leaders of banks at all levels to be attentive to long-term gains and to make short-term gains serve long-term ones. We must guard against the temptation of the fast buck and not allow ourselves to be blinded by profit and to lose our cool.

5. The relationship between the state, enterprises and enterprise employees. The basic principles of operational contract responsibility are, first of all, to ensure that the state gets its due, to enhance enterprises' ability to develop themselves, and finally, when these two things are accomplished, to appropriately raise, in accordance with the principle of greater reward for more work, employee incomes. The head bank has ordered that provinces this year use at least 80 percent of their abovequota retained profits to meet the needs involved in expanding their operations so as to increase the resources available to promote enterprise growth. We must conscientiously reform the way bonuses are distributed, do away with egalitarianism, adhere to the principle of greater reward for more work, grant generous rewards to employees who make special contributions to our contract operations and severely punish people who violate the law or bank rules.

D. We Must Strengthen Auditing and Oversight Work

Assessment of contractor-unit performance—in other words, the restraints on these units—basically occurs through two areas: the fact that contract targets must be fulfilled, which targets form the basis of performance evaluation; and strengthening of audits and oversight of contractor banks. To ensure that the pilot tests of financial quota contracts and of the operational contract responsibility system go smoothly, we must strengthen audit and oversight agencies so that these agencies can fully perform their supervisory and motivational functions. One bank level at a time, we must introduce regular and random and special and comprehensive auditing work, establish and improve a contract-terminus auditing system, and complete annual statistical tables depicting contract-target fulfillment for the year, which tables are to be signed by bank presidents and responsible members of audit departments. Audit and oversight agencies should sternly punish and firmly correct all cases of fraud or violations of law and regulations they discover.

III. Stress the Establishment of Oversight Agencies and Strengthen Administrative Control Work

In accordance the general call for political restructuring and the principle of separating party and government, both of which were issued by the 13th National Congress of the CPC, the party's discipline inspection groups have gradually been withdrawn from the agricultural bank system and been replaced by newly created administrative control agencies.

A. We Must Fully Affirm the Success of Discipline Inspection Work Within the Agricultural Bank System

In accordance with the directive of the Central Discipline Inspection Commission, party organizations in the Agricultural Bank at all levels established discipline inspection groups in the second half of 1984, and the agricultural bank system now has more than 10,000 full- and part-time discipline inspection cadres. Led by discipline inspection commissions in party committees at all levels and by party organizations in the agricultural bank, the broad masses of discipline inspection cadres have done much work in such areas as rectifying the party's work habits, correcting unhealthy tendencies in the banking profession, cracking down on economic crimes, opposing bureaucratism, and strengthening the self-development of banks and have thus made important contributions to ensuring the success of the financial programs and policies of the party and the state and to the effort to promote reform of the rural financial system. Discipline inspection work within the Agricultural Bank has been commended many times by the Central Discipline Inspection Commission and by discipline inspection groups within the financial system, and party organizations in the Agricultural Bank at all levels and the broad masses of Agricultural Bank cadres and employees are satisfied with that work.

Therefore, on behalf of the party organization of the head bank, I would like to express our heartfelt thanks to all discipline inspection cadres.

B. We Must Make Sure To Do a Good Job of Establishing Oversight Agencies

As for the titles of and jurisdictional relationships between the oversight agencies within the agricultural bank system, the State Council recently approved and appended instructions on a report submitted by the Ministry of Supervision on the latter's plan to establish branch agencies in administrative units. According to the report and the instructions, the ministry has decided to create a Financial System Supervision Bureau within the head office of the People's Bank to serve as the ministry's branch agency therein and to set up supervision offices in all specialized banks and insurance companies and has decreed that the Financial System Supervision Bureau is to be entrusted by the ministry to effect dual leadership, together with each bank and company but with People's Bank's leadership being primary, over the banks' and companies' respective supervision offices. The head office of the People's Bank has decreed that the oversight agencies in provincial, autonomous region and municipal bank branches shall be called supervision offices and shall be subject to the dual leadership of the respective bank system and of superior supervision offices, with the leadership of the respective bank being primary, and shall also be subject to the guidance of local government supervision departments or bureaus.

First, we must conscientiously recruit the needed cadres to staff these agencies and ensure that the work of the discipline inspection groups is properly transferred to the agencies. In principle, all Agricultural Bank oversight agencies are to be established on the foundations of existing discipline inspection groups. Prior to the establishment of the agencies, discipline inspection groups must, in accordance with standardized procedures, properly organize and file all documents relating to previous cases and turn over everything that should be transferred to supervision offices or other relevant agencies.

Second, once the new agencies are established, they should be attentive from the outset to strengthening their internal development, to creating good work practices, and to establishing good systems so that they can go into operation and start functioning as soon as possible. In creating internal offices, the agencies must adhere to the principle of administrative streamlining so as to improve efficiency. The Ministry of Supervision's demands with respect to the work practices of supervision offices are very strict, explicitly requiring that the offices establish the practices of "unity and cooperation, fairness and honesty, and arduous struggle," so we must make these three phrases the standards for the work practices and behavior of all oversight cadres in the agricultural bank system. Administrative control agencies are authorized to make investigations, inspections and proposals, as well as to mete out certain administrative punishments. Only when we uphold these three phrases, adhere to the principle of seeking truth from facts, emphasize investigation and evidence, strictly follow policy, and act according to proper procedures can the cases we handle stand up to the judgment of history.

Third, oversight agencies in the Agricultural Bank at all levels must start working as they are set up. At the current time, the emphasis of these agencies should be as follows: oversee the efforts of the bank at all levels to carry out the party's financial programs and policies, crack down on economic crime, enforce financial-accounting and credit discipline within the agricultural bank system, and sternly punish all unlawful acts, so as to ensure that the party's programs and policies are carried out.

Fourth, as for administrative control work in credit cooperatives, this is a problem that is unique to the agricultural bank. According to the directive of the Ministry of Supervision, oversight work is not directed toward collectively owned units. But in view of the facts that there have been many cases of economic crime in credit cooperatives and that the Agricultural Bank bears the responsibility of leading credit cooperatives, administrative oversight over credit cooperatives must be strengthened. First, the supervision committees or democratic management councils of basic-level credit cooperatives must play their proper supervisory roles over credit cooperatives. Second, united county communes are also supposed to effect leadership and administrative oversight over credit cooperatives. Third, departments

in charge of credit cooperatives in the Agricultural Bank at the county level and above should increase the number of auditors they assign to deal with credit cooperatives. Fourth, oversight agencies in the Agricultural Bank

at all levels are responsible for preparing and tabulating cases of legal or disciplinary violations by and for properly guiding the administrative oversight work over credit cooperatives.

Excerpts of Play, 'Jesus, Confucius, Lennon'
40050352a Beijing SHIYUE [OCTOBER]
in Chinese No 2, Mar 88 pp 61-68

[Play by Sha Yexin 3097 2814 2450: "Jesus, Confucius, Lennon;" Sha Yexin wrote the controversial play "If I Were Real" and also produced the play "WM" which was taken off the stage by PRC authorities after its first few showings. In this play "Jesus, Confucius, John Lennon;" Sha portrays the title characters as being sent by God from heaven to investigate conditions on earth. The first and second acts are devoted to various discussions in heaven; in the third act the trio descends to "the Golden Land" on earth and then makes its way to "the Purple Land" in Act Four, which is translated below.]

[Excerpts] Characters: Jesus; Confucius; Lennon; God; Galileo; Beethoven; Newton; Darwin; Mozart; Da Ling; Astronaut Hao Si Zhen Ni Han Sen Police Officer; Waiter; Manager; Old man with a cane; Young woman; Father; Son; Ma Li; Officer; Citizen; Minister; Nurse; Several reporters; policemen; citizens; soldiers. [passage omitted]

Act IV

Because of Hao Si's sudden death, Jesus, Confucius, and Lennon manage to escape from danger and leave Golden Country. They arrive at Purple Country where not only the inhabitants have purple skin, but everything is also purple: sky, land, mountains, water, houses, clothing, food, utensils. A world of purple! Not only is there just one color, purple, but there is uniformity in everything—the style of the clothes, the exterior of the houses, the specifications of the utensils, even the thinking and behavior of all citizens. Most remarkably, the people are unisex, neither men nor women. Once you step on the soil of Purple Country, you cannot help but deeply admire its rulers for their skills in running the country and subjugating the people so successfully.

(Two soldiers, clad in purple military uniforms bedecked with a queen's badge, are painting the outside wall of the toilet with a purple paint.)

(The officer walks by. He too wears a badge, slightly bigger than the soldiers', bearing the queen's likeness, and is clad in a purple military uniform.)

Officer: Long live the Queen!

Two soldiers: Long live the Queen!

Officer: Hurry up. Paint all the spots where the paint has faded. Make the whole country purple from top to bottom!

Soldier A: Aye, aye, sir!

Officer: Give it several coats. Make sure the color will not fade.

Soldier A: Aye, aye, sir.

Officer: When will it be done?

Soldier A: Soon.

Officer: The Queen has to take a leak in just half an hour.

Soldier A: It will definitely be finished in half an hour.

(Citizen A comes running up.)

Citizen A: Long live the Queen!

Officer: Long live the Queen!

Citizen A: Officer, I have found a bunch of bills.

Officer: Bills?

Citizen A (Hands the money to the officer.): This is all that I found.

Officer: Ah, one hundred thousand dollars. The Golden Country's bank notes. Where did you find them?

Citizen A: Near the border.

Officer: I must report it to the Queen. You will be commended. This is a very important event. You should also help her majesty's government find the owner.

Citizen A: I am on her majesty's service. (Exit Citizen A)

Officer (To the two soldiers): Hurry up! I must report this to the minister right away. (Exit Officer)

(The two soldiers paint more quickly. After they finish the outside wall, they go inside to paint the interior wall)

(Enter Jesus, Confucius, and Lennon quietly)

Lennon (Softly): Indeed a purple country! Everything is purple, even the toilet. They probably fart purple too.

Confucius: We have barely arrived. You must not make irresponsible remarks. Jesus. We had better be careful, bearing in mind what we have learned in the Golden Country. Let me be blunt with you. Every time we go to a strange place, we are like sheep in the middle of a pack of wolves. So we must be as tame as doves and as vigilant as snakes.

Lennon: How come there are no people in sight? Just mountains everywhere.

Jesus: The Purple Country is a mountainous country with the smallest population.

Lennon: Excuse me. I've got to go.

(A voice comes on the purple tweeter hanging from the tree. Its suddenness startles Jesus, Confucius, and Lennon.) Voice from the tweeter (amid monotonous, high-pitch music): Long live the Queen, long live the Queen! Attention, citizens. Attention, citizens. It is now time for the Queen to visit the toilet. Please get ready, please get ready.

(Suddenly four citizens run up, one from each direction. They look like both men and women; it is impossible to tell their sex. Quickly they line up outside the toilet door, getting ready to piss. Meanwhile, two soldiers run out from the toilet, carrying a paint bucket. They walk up to the end of the line and get ready to piss as well. Everybody looks like he is having a hard time trying to hold it in.)

(Jesus, Confucius, and Lennon immediately seek cover behind a huge placard. The placard reads, "Purify your soul and cleanse yourself of distracting thoughts.")

(Time-check sound heard from the tweeter.)

Voice: It is exactly 10 o'clock, Purple Country Standard Time. The Queen disrobes and relieves herself.

(The sound of urinating from the tweeter)

Voice: Citizens, all citizens of Purple Country, you can now help yourselves.

(The four citizens and two soldiers dash into the toilet as if they could not wait any longer. In no time the sound of people urinating is heard.)

Lennon: How weird! The Queen pisses, and everybody pisses. As soon as the clock strikes 10, the whole country is filled with the sound of people pissing. What damned nice music!

Confucius: The whole nation is of one mind from top to bottom. That sure is quite touching.

Lennon: Hey, is that men's or women's?

Confucius: That is indeed strange. Those people entering the toilet, I can't tell if they are men or women.

Lennon: Looks like they are all men.

Jesus. No, all women.

Lennon: Who cares? I can't hold it in any longer.

Jesus: Hold on. Let them come out first.

(The sound of pissing goes on and on.)

Lennon: How come they are not done yet?

Jesus: Be patient. They have been holding it in for an evening.

Lennon: No wonder it now comes out like a waterfall.

(Two soldiers and three citizens emerge from the toilet one after another, looking relaxed now that they have relieved themselves. They exit separately.)

(Jesus, Confucius, and Lennon appear from behind the placard.)

Lennon: Can I go now?

Jesus: Go ahead.

Lennon (Running to the toilet): I can't hold it in any longer.

(Citizen A walks out from the toilet and bumps right into Lennon. Both start. Jesus and Confucius hurriedly hide themselves behind the placard again.)

Citizen: You?

Lennon: How come there is one more person?

Citizen. Who are you? A Faded Person?

Lennon: No, a foreigner, a tourist.

Citizen (Gingerly): Not a Faded Person? A foreign tourist? What are you doing here?

Lennon: Pissing.

Citizen A: Wait.

Lennon: Wrong toilet? Is this women's?

Citizen A: Women's?

Lennon: A toilet for women.

Citizen A: Women? What women? Lennon. You don't even know women? OK, let me ask you this. This toilet here. Do you piss standing up or squatting down? Citizen A: People in Purple Country never piss standing up or squatting down. We do it lying down.

Lennon: You piss lying down? What kind of position is that? Both men and women?

Citizen A: We don't have different sexes.

Lennon: You don't differentiate between men and women or there are no men or women among you, just one sex?

Citizen A: Oh, now I get it. Sex. We don't have sexes.

Lennon: Then you...

Citizen A: We are neuter, or sexless.

Lennon: Then... then how do you do it?

Citizen A: Do what?

Lennon: Have intercourse?

Citizen A: What intercourse?

Lennon: Oh, what the hell. Let me come right out. Since there are no sexes, how do you make love and have sex?

Citizen A: Sex? Make love? Sex is sinful.

Lennon: If there is no sex, how do you know sex is sinful?

Citizen A: Several hundred years ago, the people of Purple Country too were of different sexes. Later, in response to the Queen's appeal, and in order to purify our souls and build the future, we renounced all pleasures, including sexual pleasure. Over time, men became impotent and women frigid. The sexual function disappeared and our sex organs degenerated to such an extent that today they have disappeared.

Lennon: Then how can you have children?

Citizen A: The Queen bears children for us.

Lennon: How?

Citizen A: Asexual reproduction.

Lennon: No wonder the population is so small. The children born by the Queen, whom do they belong to?

Citizen A: Distributed according to need.

Lennon: Even children are distributed?

Citizen A: Everything here is distributed.

Lennon: Oh, I've got to go.

Citizen A (Blocking Lennon's way): You can't go in. The time has passed, Lennon. You can only piss at a fixed time?

Citizen A: Whenever the Queen takes a leak, we take a leak. It is the same all over the country.

Lennon: But I am a foreigner.

Citizen A: Foreigners too must observe our laws. Are you really a foreigner?

Lennon: That's right.

Citizen A: Not a Faded Person?

Lennon: What is a faded person?

Citizen A: People who are opposed to the Purple Revolution and have retrogressed and degenerated.

Lennon: Damn, I'm going to wet my pants. Let me go in.

Citizen A: No.

Lennon (Cannot hold it in): O...Help, help!

(Lennon bends over, holding his belly and stamping his feet.)

(Hearing the noise, Jesus and Confucius quickly run out from behind the placard.)

Jesus: What's the matter? What's the matter?

Confucius: Why this panic?

Citizen A (Even more warily): Two more foreigners?

Lennon (Holding his belly and running around frantically): Oh, Oh... No, no. (Runs to a corner where a statue of the Queen is standing. Hurriedly opens his fly). Excuse me. Pardon my discourtesy. Even God has to piss if his bladder is full. (Begins urinating.) Oh, that's great. Let it come. Come on, come on! Set a world record for the longest piss.

Confucius: How bizarre!

Jesus: Just can't do anything with him.

Lennon: (Pissing and pointing to the Queen's statue). Look, even the Queen is cheering me on.

Citizen A (to himself): It is a foreigner. I see it. It's a foreigner. (Exits hurriedly)

Lennon: Hey, what did he say? Has he gone to call the police?

Jesus: You got into trouble again!

Lennon: What have I done?

Jesus. I have admonished you many times. Here in the Purple Country, we should first figure out what the situation is before going public in our activities. But you insisted on pissing here and ran into this unidentified person. Now we don't know what is going to happen next. Hurry up, let's go!

Confucius: Don't panic. Nothing will happen.

Jesus: Why?

Confucius: Judging from the fact that everybody in Purple Country pisses at the same time, we can see that this country is orderly and well-organized. These people revere their sovereign and love their country, unlike those in Golden Country who put profit before principle and confuse right with wrong. Sheltered on all sides by high mountains, this landlocked nation is independent and isolates itself from the world. A haven of peace, with honest and unsophisticated people. Don't worry.

Jesus: But still, Mr Confucius, we had better go into hiding for the time being.

Confucius: May as well. Prevention is better than cure.

Lennon: Let's first find a hotel and settle down.

Confucius: Not a bad idea. Then we don't have to linger on the street and make people suspicious.

Jesus: How can we go to a hotel when we don't have money?

Lennon: I have money. Miss Da Ling gave me 100,000 dollars when we were in Golden Country. (Gropes in his pocket for the money.) Hey, where is the money? Damn, I've lost it.

Jesus: Where did you lose it?

Lennon: Maybe at the border: Let me go find it.

Jesus: Don't look for things that weren't yours to begin with.

Lennon: But it is 100,000 dollars.

Confucius: Look at it this way and you would not miss it.

Lennon: How?

Confucius: Just pretend that Miss Da Ling never gave you the money.

Lennon: But she did.

Confucius: Or pretend that she gave you just one or two dollars.

Lennon: But she indeed gave me 100,000 dollars.

Confucius: Then I can comfort you with just one other idea.

Lennon: What idea?

Confucius: Whoever finds the money will not die a natural death.

Lennon: Dammit, that would be deceiving oneself as well as others.

Confucius: In any case, let's go. (Exit Jesus, Confucius, and Lennon).

(Enter Citizen A, the officer, and the two soldiers hurriedly, with Citizen A leading the way)

Citizen A: They were here just now.

Officer: Sure they are foreigners?

Citizen A: Yes, I saw it.

Officer: Saw what?

Citizen A: I saw he had that thing when he pissed.

Officer: Oh? Then the 100,000 dollars are theirs.

Citizen A: Must be.

Officer (To soldiers): Put a "Found" notice here too. All over the nation. Soldier A: Aye, aye, sir. (Soldiers A and B put up notices announcing that 100,000 dollars have been found).

Officer (To Citizen A): You must find them!

Citizen A: Yes. (Exit the officer, soldiers, and Citizen A).

(Ministry of Ideological Distribution. Outside, four citizens have lined up to receive ideology. By the door is an iron cage with a Faded Person locked up inside. His face and skin are all white. He is encased tightly in front and at the back by a set of "X"-shaped wooden shackles and wears a tall hat on which are written "Faded Person." He has been arrested and taken here to be put on public display.)

(A notice announcing that 100,000 dollars have been found is also posted on the wall of the Ministry of Ideological Distribution.)

Minister: Long live the Queen!

Four citizens: Long live the Queen!

Minister: Open the "Queen's Precious Instruction." (The four citizens open the voluminous "Queen's Precious Instruction.")

Minister: The great and glorious Queen, who is like a loving mother to us, instructs us that...

Everybody (Reads): Every person's soul is sinful. Every person's thought is evil. Only the Queen is holy and pure. Our supreme goal in life is to cleanse ourselves of evil thought and purify our souls. Although our bellies are empty, our minds are rich. We would rather have the tiniest amount of the Queen's thought than tens of

thousands of gold mountains from the other country. Minister. Look at the Faded Person on public display. His thought has regressed so his skin has faded.

Four citizens: So his skin has faded.

Minister: We must take warning from him...

Four citizens: Make the Queen's thought our own thought.

Minister: Good: Now let me distribute thought among you.

Four citizens: Long live the Queen! (Enter a nurse with a syringe and all kinds of purple injections: She sterilizes the tip of the syringe and is about to give injections to the four citizens.) Minister: These various kinds of ideological injections were prepared by the Queen using her own brains. (To first citizen). You will be injected with Ideology No 1, obedience. (The nurse injects the first citizen with a purple injection at his temples.)

(Enter Jesus, Confucius, and Lennon softly. When they see the gathering, they hide themselves again.)

Minister: As recipient of the Queen's brains relating to submissiveness, you will never rebel against your superiors.

First citizen: Thank you, your majesty!

Minister (To second citizen): Ideology No 2, vigilance. (The nurse injects the second citizen with a purple injection at his temples.)

Minister: As recipient of the Queen's brains relating to vigilance, you will be highly immune to foreign corrupt ideas.

Second citizen: Thank you, your majesty.

Minister (To third citizen): Ideology No 3, contentment with one's lot. (The nurse injects the third citizen with a purple injection at his temples.) Minister. As recipient of the Queen's brains relating to contentment with one's lot, you will be content and happy and have no other wants.

Third citizen: Thank you, your majesty.

Minister (To fourth citizen): Ideology No 4, selflessness. (The nurse injects the fourth citizen with a purple injection at his temples.)

Minister: As recipient of the Queen's brains relating to selflessness, you will be incomparably pure.

Fourth citizen: Thank you, your majesty. (Exit the four citizens, pushing the iron cage in which the Faded Person is imprisoned.)

Nurse: Minister, it is now your turn to be injected.

Minister: Me? No, thanks.

Nurse: No, you must obey orders.

Minister (Inwardly angry): What? I am the minister.

Nurse (Turns down her collar to reveal a badge): I am specially sent by the Queen to be by your side.

Minister (Frightened): Oh? I..I am at your command. Please inject.

Nurse: The Queen is extremely pleased with your loyalty. To commend you, she specially asked that you be injected with Ideology No 0.

Minister: Ideology No 0?

Nurse: It has to do with power and pleasure.

Minister (Greatly moved and pleasantly surprised): Oh, long live the Queen, long live the Queen!

Nurse: Needless to say, the injection must be done over there. Please, minister.

Minister: Thank you. (The minister and the nurse enter the Ministry of Ideological Distribution. Exit)

(Jesus, Confucius, and Lennon emerge from their hide-out, very cautiously.)

Lennon: What is it, ideological injection?

Jesus: Let's leave here, quick!

Confucius: Hold on. A "Found" notice!

Lennon (Reads the notice): "One hundred thousand dollars in Golden Country currency have been found. Owner is requested to claim it at the Ministry of Ideological Distribution." Splendid! Now we know where the money is. Oh, here we are.

Confucius: People in Purple Country do not pocket the money they pick up. Looks like a nation of gentlemen.

Lennon: Wait. Are we playing into their hands?

Confucius: You mean there is a catch somewhere?

Lennon: This place has a set time for pissing and injects ideology. Would they be friendly to foreigners like us?

Confucius: Your concern is unwarranted. A country which manages urination and ideology—the least manageable things—so well will not be impolite to foreign friends.

Jesus: After visiting Golden Country, I no longer have faith in human goodwill.

Confucius: Aren't we going in to claim the money?

Jesus: No.

Lennon: But what about the 100,000 dollars?

Confucius: Mere worldly possessions.

Jesus: Let's leave here.

Confucius: Your wish is my command.

(Enter Citizen A, the officer, and two soldiers, with Citizen A leading the way.) Citizen A: Wait, wait! (To officer). It's them!

Lennon (Wants to run. To Jesus and Confucius): Hurry up!

Two soldiers (Blocking Lennon's way): Stop! . Lennon: What's the matter?

Two soldiers (Grabbing Lennon): Behave yourself!

Lennon (Struggling): Let me go.

(Soldiers slap Lennon on the face. Lennon reels from the blow and almost falls down. Fuming, he is about to strike back.)

Jesus: Stop!

Lennon: Let me go!

Jesus: Stop. Let me admonish you solemnly. Do not retaliate against people who bully you.

Lennon: He slapped me!

Jesus: Turn the other cheek.

Lennon: What?

Jesus: Love your enemy and pray for those who persecute you. The Lord makes the sun shine on bad people as well as good people. He makes the rain fall on evil-doers as well as good doers. If you love only those who love you, why did the Lord need to send you here?

Officer: What nonsense! (To Jesus) Elderly gentleman, you come over here. Jesus (Not moving). I only listen to God's summons.

Officer (Approaching Jesus): If I hit your right cheek, you will give me your left cheek too?

Jesus: That's what I tell God's children.

Officer: Let me try. (The officer is about to hit Jesus. Jesus closes his eyes.)

Lennon (Dashing forward): Don't you touch him. (Lifting his guitar toward the officer). I dare you to come over.

Officer (Surprised): What is this?

Jesus: A guitar.

Officer: For me? No, I don't want it. Put it down.

Jesus (To Lennon): Don't be rash. Put it down.

Confucius: Officer, is there something you want to see me about? Please tell me.

Officer: Have you seen the "Found" notice?

Confucius: Um...we look and see not.

Officer: What do you mean?

Confucius: Well, you can say we have seen it and have not seen it.

Officer: Have you really seen it or not?

Confucius (Still very carefully). What if we have? What if we haven't?

Officer: Don't worry. We are here to look for the owner.

Confucius: Look for the owner?

Officer: Have you lost 100,000 dollars?

Confucius: Well...

Officer (To Jesus and Lennon): What about you?

Jesus: I do not lose things. I only offer them.

Lennon: I lost it!

Citizen A: (Happily): Oh, wonderful! We have found him!

Officer (To Citizen A): What are you so excited about?

Citizen A (Submissively): Yes sir.

Officer: I am very pleased that we have found you. Please forgive us for the misunderstanding just now. Now would you please follow me inside to collect the large sum you have lost.

Lennon: Now?

Confucius: So it was a false alarm. This is really a nation of gentlemen.

Citizen A: Officer, can I go now?

Officer: Wait. Let's go inside together.

Citizen: To collect a reward?

Officer: No. Three months' examination.

Citizen A: Why examine me?

Officer: You have spoken to and come into contact with these three foreigners. (To soldiers) Take him inside. (To Jesus and others) This way, please.

(The Infectious Disease Ward of the Ideological Hospital, which is attached to the Ministry of Ideological Distribution.) (The minister and several armed nurses are making preparations for surgery.) (The painful screams of Citizen A can be heard in the operating room next door.) (Enter the officer and two soldiers guarding Citizen A, who has been tortured.)

Officer: Minister. Minister. Any luck?

Officer: He still insists that he found the 100,000 dollars near the border and that he ran into the three men outside the toilet. He did not know them before...

Citizen A (screaming): I'm innocent, innocent!

Minister: Inject him with Ideology No 9 and 17.

Officer: Yes, sir. (The officer and the two soldiers again escort Citizen A into the operating room. Exit)

Nurse: Minister.

Minister. What are the examination results?

Nurse: They are really not Faded Persons. They are foreigners.

Minister: Have you examined them carefully?

Nurse: They were stripped naked and examined. All three have that male organ only foreigners have.

Minister: Very well. Bring them over. I will operate on them personally. Nurse. Yes. (Exit) (She soon returns, leading Jesus, Confucius, and Lennon, who have just undergone an examination. They are clad in underpants only and look extremely awkward.)

Jesus: Christ, I would rather be crucified again than go through this indignity.

Lennon: Why such interest in that thing of ours, examining it this way and that? The way they felt and pinched it, you would think they were picking cucumbers. (Suddenly grabs his private parts). Damn, those sons of bitches, they pinched so hard now it hurts.

Confucius: What galling humiliation! Now I am not even decently dressed. There goes all my gentlemanly propriety.

Minister: Please don't misunderstand. What you had just now was a physical exam. Thank you for your cooperation. (Motions to the nurse). (The nurse fetches three purple outfits and hands them to Jesus, Confucius, and Lennon.)

Confucius: Purple? Purple is not a pure color. I won't wear it!

Minister: Not wear it? Purple is our national color. Any foreigner who comes to this country must change into purple clothes.

Confucius: I abhor purple for usurping the position of red. I am not going to wear it.

Minister: Then I won't force you. Just wear your underpants.

Confucius: Darn! When in Rome, do as the Roman do. I can live with it. (Puts on the purple outfit.) (To Jesus). You may as well follow their customs too. (Jesus also dons the purple outfit reluctantly.)

Minister (To Lennon): What about you? Not going to wear it?

Lennon: I am already wearing a pair of underpants in addition to my birthday suit.

Minister: Just like that?

Lennon: Makes it easier when you examine us again.

Minister: Very well. Let us first get acquainted. I am the Minister of Ideological Distribution.

Lennon: Mr Minister...

Minister: Excuse me. I am not a Mister.

Lennon: Madam Minister...

Minister: I am sorry, I'm not a madam either.

Lennon: That's right, you sons of bitches do not have sexual differences. No wonder you are so curious about that thing of ours. Minister... Your Excellency, why were we captured and taken here? What is this place?

Minister: Infectious Disease Ward of the Ideological Hospital, which is attached to the Ministry of Ideological Distribution.

Lennon: What for? We do not have any infectious disease.

Minister: Whether or not you have an infectious disease is a conclusion only we can draw. Now it is time you answered some questions. (To Jesus) You seem to be the leader. Please tell me who you are.

Jesus: I'm the light.

Minister: Light?

Jesus: Light of the world.

Minister: What nationality are you?

Jesus: My country does not belong in this world.

Minister: Where really did you come from?

Jesus: From my Father.

Minister: Where is your father?

Jesus: You don't know me and you don't know my Father. If you know me, then you'll know my Father.

Minister: Why don't you people take out your passports? If you have no passports, then through which customs did you enter our country? Did you sneak in by boat or were you air-dropped?

Jesus: Let me tell you solemnly that I am not a thief. I did not enter the sheep pen to steal sheep by climbing over the wall.

Minister: Then you are...?

Jesus: I am the door.

Minister: Door?

Jesus: That's why I don't need to come in through others' door. I am the door, the open door through which people can enter. Those who enter through my door will certainly be safe. Sheep which enter through my door will certainly find a pasture.

Minister: How come a man can be a door? You are a human being?

Jesus: I am a shepherd, a good shepherd.

Minister: A good shepherd?

Jesus: As soon as the hired hand sees the wolves, he abandons his flock and runs away. A hired hand is just a hired hand. He does not care about the sheep. I am a good shepherd. As my Father knows me, so I know my Father. Similarly, I know my flock, my flock knows me. They recognize my voice.

Minister: You have probably gone mad. I really don't know what you are saying. Jesus: I came here looking for lamb which have lost their way and bring them back to the fold. You are not my sheep. You don't recognize my voice and will not follow me.

Minister: You are talking nonsense. You are no shepherd.

Jesus: In that case I'll have to admit I'm a doctor, a doctor who can cure the crippled, blind, deaf, paralyzed, and bleeding.

Minister: That is a lie.

Jesus: I'm a doctor.

Minister: Swear!

Jesus: Swear to whom? I can't swear to heaven because heaven is God's throne. Nor can I swear to earth because earth is the foot of his chair.

Minister: Let me ask you for the last time. What really brought you to Purple Country?

Jesus: I told you at the very beginning. I am here for the sheep. I came here to look for wolves and find out how many there are in the sheep pen.

Minister: I'm not going to waste any more breath with you. (Turns to Lennon) Who are you?

Lennon: A singer.

Minister (Takes out a guitar): Yours?

Lennon: This is a musical instrument, my faithful companion.

Minister: Do you know that there is a ban on singing and the carrying of musical instruments in Purple Country?

Lennon: Singing comes from nature. Can you ban nature?

Minister: What we in Purple Country need is intensive thinking, endless soul-searching, sincere confession, and strict abstinence. Singing is demoralizing and depressing. It can slacken one's thinking and sap one's spirit. The most beautiful voice in Purple Country is not any kind of music, but the Queen's precious instruction, the Queen's voice.

Lennon: But my singing is better than the speech of any king or emperor and is more beautiful than any classical writings. My singing was all the rage in the world. Those who never heard my singing don't know what happiness is. Those who never saw me perform come to this world for nothing.

Minister: You confused and poisoned people's minds.

Lennon (Takes the guitar): Thank you. Guitar in hand, I can forget all pain, all sadness. I must sing!

Minister: Every single song is proof of your guilt.

Lennon: If I am guilty because I sing, then singing will set me free. (Plays the guitar and sings.) When I am lost, which way should I turn? When I see many roads ahead, which one should I choose? When I don't know what feeling is, how am I to feel? When I don't know how to feel it, how can I experience it?

Minister: Looks like he is talking in his sleep. Lennon (Plays the guitar and sings): I call your name in my dreams, Oh, Yoko. Oh, Yoko. My love makes you strong. I call your name in the clouds. Oh, Yoko. Oh, Yoko. My love makes you strong.

Minister: No love talk in Purple Country.

Lennon: Since there is no sex, there is no love. (Plays the guitar and sings.) For the first time in my life, I am in love. I see the wind, I see the trees. Everything blossoms in radiant splendor in my heart. I see the clouds, I see the sky. Everything brightens my vision. O, I can see clearly now. I see sorrow. I see dreams. I experience life. I experience passionate love. Everything shines in my heart.

Minister: You certainly look on the bright side of things.

Lennon: I came to this world full of hope, but I am disappointed everywhere I go. (Plays the guitar and sings) God is a cartoon, a rose for my enjoyment. Don't believe in magic, don't believe in Jesus. Don't believe in Solomon, don't believe in Hegel. Don't believe in the Bible, don't believe in the king. Don't believe in fortune-telling cards, don't believe in the guitar. Don't believe in the Beatles, don't believe in Kennedy.

Minister: But under no circumstances are you allowed not to believe in Purple. Under no circumstances are you allowed not to believe in the supreme queen.

Confucius: You are wrong. If a ruler wants the people to trust him, he must first trust the people. If he suppresses the people and distrusts them, how can they trust him?

Lennon (Happily): Wonderful, wonderful! Even Mr Confucius has modernized his thinking.

Confucius: I think the monarch should treat his people magnanimously and love each and every one of his subjects. Most important, he should make sure the people have enough food and clothing. Only then can they tell honor from disgrace. And only when food and clothing are plentiful can the people close by be happy and people faraway come hither.

Minister: People faraway come hither? What for? We have no use for outsiders. To preserve our purity, we always keep up our guard against foreigners from afar.

Lennon: That's why you arrested us and took us here? But you cheated us. You made us come here to collect the 100,000 dollars.

Minister: And it is exactly the 100,000 dollars that prove your guilt.

Lennon: Prove our guilt?

Minister: Don't you know that Purple Country abolished money long time ago? Don't you know that money is the source of all evil? You sure knew that and yet you still sneaked into our country with a big sum of money hidden away in order to achieve sabotage and subversion.

Lennon: What good imagination!

Minister: Let me ask you again. You came from Golden Country. What is it like?

Lennon: Very rich, but...

Minister: Since it is so rich, why didn't you stay there instead of coming to this country which does not have enough food or clothing? Eh? Other than spies, who would want to come here?

Confucius: Well, if you are out to condemn us, you can always trump up a charge.

Jesus [as published]: Out to condemn somebody? (To the "operating room") Bring him up! (Enter the officer and two soldiers escorting Citizen A)

Citizen A (vividly): These three people are spies from Golden Country. As early as 5 years ago, I joined their intelligence organization. In the middle of the night last night, I helped them sneak into the country. At the border (pointing to Jesus), he gave me 100,000 dollars and told me to throw 10 dollars into each household within 3 days to create ideological disturbances up and down the country. Then they will seize power in one fell swoop.

Minister: How?

Citizen A (points to Confucius): He told me that after 3 days he would send 10 nuclear bombs here to raze Purple Country to the ground.

Confucius: Oh?

Minister: Ten nuclear bombs? That was a close call. What more could you people say? Eh? (Citizen A is taken away by one of the soldiers.) (Jesus, Confucius, and Lennon are stupefied.)

Minister: Prepare for surgery! (The officer, soldiers, and nurse tie Jesus, Confucius, and Lennon onto the operating table.)

Lennon (struggling): What are you up to? What are you up to?

Confucius: Is Taishan crumbling? Is the roof beam falling apart? Is the philosopher dying?

Jesus: The end of the world may be at hand.

Lennon: What do you want? What are you really trying to do?

Minister: Castration.

Lennon: Castration?

Minister (Lifting a scalpel): Yours is the most accessible. Let me work on you first.

Lennon: You can't do this, you can't do this!

Minister: We do not let anybody differ from us. Anybody who is different from us is our enemy.

Lennon: No, no!

Minister: After I get rid of that thing, I will inject you with the Queen's brains. Then you will be just like us.

Lennon: Oh, they want to castrate us mentally as well as physically. (To Jesus) Oh, leader, only you can save us now. Could you still be hesitating? Still want to turn the other cheek?

Jesus: You want me to work a divine miracle?

Lennon: This country is crawling with policemen and soldiers. They control every exit, every road. They control air and hope. Nobody can shake off their control. The only way out is to seek divine help.

Jesus: It is tragic to have to resort to divine assistance to solve human problems. Since ancient times, man has sought God's help in warding off disaster. God is totally worn out now. Man has grown up. Must he still depend on God?

Lennon: When man does not recognize his strength and use it properly, he still needs God.

Confucius: Back in those days when the Foolish Old Man was trying to remove the mountains in Shanxi, he touched God so much that he got some divine help too. Please say you'll help us.

Jesus: Very well. God, my Father, please save your son! (Suddenly a gigantic noise is heard. The sky cracks open and the earth bursts apart. Smoke is everywhere. Jesus, Confucius, and Lennon slowly ascend to heaven, clouds swirling around them.)

Lennon: Look at the damned Purple Country! And there is the evil Golden Country over there.

Confucius: One is like a tiger, the other a wolf. The evil of man is that he goes to extremes. If he can only moderate a little, then...

Jesus: Maybe man is at a turning point. Both Purple Country and Golden Country are being influenced by this. I hope from now on man will no longer be dependent on divine power but rely on his own strength. (Suddenly) Oh, no!

Confucius: What's the matter?

Jesus: We forgot to bring an air conditioner back to God!

Curtain falls

(Shanghai, August-October 1987. This play premiered at the Shanghai People's Art Theater in April 1988.)

Addendum to 'Jesus, Confucius, Lennon'
40050352b Beijing SHIYUE [OCTOBER]
in Chinese No 2, Mar 88 pp 69-70

[Article by Sha Yexin 3097 2814 2450: "It Is A Riddle to Me"]

[Text] When I visited Nanjing 6 or 7 years ago, a cousin of mine, Comrade Wu Yiye [0124 6318 2814], told me he hoped to co-write with me a play about Jesus, Confucius, and Socrates. My cousin is a student of history and at one point specialized in modern history. Perhaps he was inspired to write such a play by Yun Daiying's famous speech, "Jesus, Confucius, and Revolutionary Youth," delivered in May 1926. I was very excited by my cousin's fascinating suggestion and soon we were working out the play's main plot together. However, my cousin's scientific historical way of thinking proved to be incompatible with my artistic dramatic thinking after all. Moreover, we were living far apart from each other and it was not convenient to discuss our ideas by correspondence. Reluctantly, therefore, we had to give up our beautiful collaborating scheme.

But I never managed to put the theme out of my mind. When my cousin saw that I was still obsessed with it, he generously gave me permission to go ahead and finish the play on my own, for which I am most grateful.

Since I started writing the play alone, the plot had changed many times. Not only did Jesus, Confucius, and Lennon, a member of the Beatles, replace Jesus, Confucius, and Socrates as the main characters, but the approach of the entire drama was a far cry from what was on our minds when I was collaborating with my cousin. The story's details were altered even more drastically. Almost every draft differs significantly from its predecessor. For several years, I kept writing and rewriting Acts 1 and 2 and never got beyond the opening of Act 3. As for Act 4, all I had was a draft worked out in my mind. Finally I finished the whole play in August 1987. I congratulated myself and breathed a deep sigh of relief.

However, when I read through the whole manuscript again in October, it looked terrible. So it revised it again, rewriting Act 4 almost entirely. It bore no resemblance at all to the previous draft.

In the past, as soon as I had thought out a plot mentally, I would finish writing the play at one go. A short play might take one evening, a long play, a month and even as short as 10 days. Li Yu [2621 3342] talked about writing with folded arms. I was exactly like that. You may say I was an amazingly fast writer. This play, on the other hand, fermented for a long time and was years in the making. I spent more time thinking through its plot than that of any other play. I also rewrote it more extensively. Of all my works, it was the most difficult.

For several years the play kept changing time and again and never took on a definite shape. Sometimes I was full of confidence and knew exactly what to write. Other times I was confused and uncertain. I believe there are two reasons for this. First, I have not really grasped and understood the theme thoroughly. It was like a wild horse, unmanageable and not amenable to my commands. When I wrote a play in the past, I usually set the keynote with the first few words. This time around, I was not very sure what the keynote was. Hence the difficulty in determining the theme. Although I have now finished the final version, I am not sure I have completely understood the subject matter. Secondly it may be that the subject matter itself is so rich, so sweeping, and embraces so much ground that it can be differently interpreted on many levels, from many angles, and at many points in time. As they say, what is right now may be wrong at another time. In short, it is a riddle to me, one which remains unsolved even now.

Certainly, perhaps the play is not that profound to begin with and is really quite banal, much cherished and fussed over by its writer just because it is his own.

Could it be that I wrote this play without a basic and clear approach? Apparently I did have some idea of why I wanted to write the play, namely to use it as a vehicle to show the universal conflict in modern human society between the spiritual and the material. How can man improve his existence? What kind of society is a healthy society? What is the ideal relationship between man's two most basic needs, material and spiritual? I wanted to raise and answer all these questions in the play. Needless to say, these questions have been posed in our daily life. Take China, for instance. We can examine its history over the last few decades from the perspective of the material-spiritual struggle. Before liberation, local tyrants in the countryside were attacked and land was divided. In the cities, students staged anti-hunger demonstrations. At the time, our party called for revolution in the name of improving the material lot of the people. It was not long after the revolution succeeded that we began remolding the intellectuals' ideology nationwide and turned our attention to the spiritual side. In the 1950's, we carried out economic revitalization and 5-year planning in an earnest effort to improve people's material life. In 1957, however, we launched an anti-rightist struggle, the first "anti-spiritual pollution" campaign in the political and ideological arena since the PRC was founded. After the anti-rightist campaign came the Great Leap Forward. Like the person who wants to get fat after eating one mouthful, we looked forward to becoming an economic power in 15 years. Then came the anti-leftist movement, natural disasters, 3 years of adjustment, and the eight-character principle. Through all this the two legs—spiritual and material—never managed to move forward in coordination with one another. Thus we limped along to 1966, when the 10 years of turmoil began. In these tumultuous years, the two legs carried on a tug of war with each other. One moment we "swept away class enemies of all descriptions;" the next moment we "grasped revolution and promoted production." One moment we "criticized Lin Biao and Confucius"; the next moment we went in for "all-round adjustment." But the overall trend was "leftist." The right leg yielded to the left leg; the weak material side was no match for the strong spiritual side. A most popular saying at the time went like this: "Better the grass of socialism than the seedling of capitalism." No wonder we tilted all the way to the left and teetered on the brink of economic collapse. After the gang of four's collapse, we finally learned to "come to grips with two civilizations at the same time." Yet what a high price did we pay for this simple truth! While we have now seen the light, it does not mean that we meet no resistance in implementing it. During the past few years, there were still ups and downs, which can be interpreted from the angle of the struggle between the spiritual and the material. There is no need to elaborate.

As in China, so it has been around the world. Once it reaches a certain stage of development, any society is bound to be plagued by the conflict between the spiritual

and the material. Aren't materially developed nations desperately trying to cope with serious social problems caused by spiritual impoverishment at this very moment?

Actually, this is true not only for countries and societies, but also for individuals. The conflict between the spirit and the flesh is the secularization of the conflict between spiritual and material things.

This play is not a satire on socialist and capitalist societies. My objective is to bring to light the conflict between spiritualism and materialism not from the angle of social institutions, but on the philosophical level or the level of human nature.

While the play is now completed, I do not know whether what I have written is the same as what I had in mind. Nor do I know if the play explains the profound in simple terms or whether it explains the simple in simple terms in subject matter and artistic expression. I hope it is the former or at least the latter. The last thing I want is that it explains the simple in profound terms.

It took me 7 to 8 years to somehow put together this play amid much confusion. Yet explaining and defining it clearly now is even harder than writing it. The more I say, the more confused it gets. Forget it. I'll stop here and let the readers and audience be the judge.

KMT Language Policy Engenders Negative, Positive Responses

Criticism by Delegate

40050011 Taipei TZULI WANPAO in Chinese
21 Jul 88 p 9

[Article by Yang Ching-chu 2799 7230 4238: "KMT Suppressed the Taiwanese Language for 40 Years"]

[Text] When Kaohsiung City Councilman Yang Chen-tien [2799 2182 3240], a delegate to the 13th KMT National Congress, addressed the gathering in Taiwanese, he was roundly booed and jeered. They shouted, "Can't understand!" "Get down!" He argued strongly, knowing that reason was on his side, and was finally allowed to finish his speech in popular Mandarin. Actually over 80 percent of the people in attendance understood Taiwanese, but they booed anyway to support the party policy of suppressing the dialect. After its establishment, the Taiwan Writing Society has been pushing for bilingual education. Last year a flurry of articles appeared in newspapers and magazines discussing bilingual education or urging everybody to learn Taiwanese. What Yang Chen-tien did at the 13th KMT National Congress served as a lightning rod for this movement.

After coming to Taiwan, the KMT followed a Pekingese-only educational policy. School children were not allowed to speak Taiwanese and those who violated the ban were punished. Taiwanese (Hakka and Fulao) was belittled, Mandarin was emphasized, and improper educational and linguistic concepts were resorted to to mislead the public into thinking that it was a shame to speak Taiwanese and that one had to speak Mandarin to be a first-class citizen. After 40 years of brain-washing, young people in Taipei cannot speak the language of their ancestors, and parents teach their children Mandarin instead of Taiwanese. Most Taipei residents under 30 years of age speak Taiwanese incorrectly or not at all.

Within a few years of taking over Taiwan, the Japanese government had a concise Japanese-Taiwanese dictionary compiled. This was soon followed by a comprehensive one, still the best so far compared to any other Taiwanese dictionary. While Japanese rulers in Taiwan also pursued a national language (Japanese) policy, they nevertheless worked hard to collect and sort out the Taiwanese language. In its 40-year rule, the KMT has done nothing for Taiwanese other than suppression. There is no department of Taiwanese in universities, the number of Taiwanese television shows is strictly limited, and not a single concise Taiwanese dictionary of words has been compiled, not to mention a dictionary of phrases. In the private sector, only Tsai Pei-huo [5591 1014 3499] has compiled a Taiwanese dictionary, and a very indifferent one at that. A citizen who needs to deal with a civil servant must speak Mandarin. Never has the government hired Taiwanese-speaking civil servants to serve and make things convenient for non-Mandarin-speaking Taiwanese, who are the masters of this land. In

the U.S., both Chinese and English are used in official business in states with a large Chinese population. Most nations in the world offer multi-language education. Only the KMT government in Taiwan suppresses Taiwanese and follows a Pekingese-only policy. All this was done to facilitate KMT control in Taiwan.

A few months ago, a friend who had been living in America returned to Taiwan and told me this story. A judge drove hours to swear in a group of foreigners as U.S. citizens. He said that after driving several hours to get there, he hoped they would give him a couple of minutes to say a few words. The judge then told the new citizens that they must not forget their mother tongue. One cannot but speak English in American society. At home, however, they should talk to their family in their native language. Parents too should teach their children their native language. They must not forget their ancestors' mother tongue.

During 40 years of martial law, the people, like a mute, could not speak out against the single-language education policy of martial law culture. After 40 years of struggle, martial law could not go on and has now been lifted. During the past year, people eagerly took to the street to voice the various grievances they suffered in the previous 4 decades. A consciousness of native culture is rising among the people. It is really unjustifiable for a person to live in Taiwan without knowing Taiwanese. After the mainland allowed people from Taiwan to return to visit their relatives, few non-Taiwanese people wanted to stay on the mainland. The Taiwanese century is at hand. Non-Taiwanese-speaking KMT members should learn the language diligently. At a minimum they should not suppress it. We agree that Mandarin should be the common language of communication. But we should also teach Hakka to the next generation of Hakka people and Fulao to the next generation of Fulao people. Schools too should offer bilingual education.

Defense of Policy

40050011 Taipei TZULI WANPAO in Chinese
31 Jul 88 p 9

[Article by Pan Chih-hung 3382 1807 7703: "Why Insist on Speaking Taiwanese When Everybody Understands Mandarin?"]

[Text] I do not understand why anybody would want to write an article entitled "KMT, It's Time We Speak Taiwanese!" (21 July, by Yang Ching-chu) after Mandarin education has been in effect for 40 years and when every educated person can communicate with one another in Mandarin. In fact, the purpose of a language is communication. We should not ask more of a language than that it be "common" and "convenient." If we insist on emphasizing a particular dialect, we would only be accentuating the differences among ourselves and highlighting localism. It would be no different from using language to achieve non-linguistic ends.

Yang Ching-chu says in his article, "They booed anyway to support the KMT policy of suppressing Taiwanese." If Taiwanese really had been suppressed, would more than 80 percent of the people attending the 13th KMT National Congress still understand the language? An intellectual should not pen this kind of self-contradictory and emotion-charged criticism. On the contrary, if we all agree that almost everybody at the Congress understood Mandarin, then why should they not speak Mandarin? The Kaohsiung City Councilman was merely out to get attention.

According to Yang Ching-chu, Taiwanese includes only Hakka and Fulao. But what about the language spoken by the mountain tribes? I am really hard pressed to define "Taiwanese." Also, we know that Fulao consists of northern and southern versions as well as a coastal variety. Nor is Ping-tung Hakka the same as Miaoli Hakka. If everybody speaks his own dialect, any public meeting would become a cacophony of different tongues.

I learned Mandarin at school from a young age and spoke Taiwanese at home. Is this not a great educational and language policy? I really cannot go against my own conscience and agree with the claim that "Taiwanese was belittled... Speaking Taiwanese was made out to be a shameful thing." If that is the case, how come as many as 80 percent of the delegates to the KMT Congress still could understand Taiwanese? In my opinion, we must speak a common language in public gatherings. Otherwise, of all the many Taiwanese languages, which one should we pick? Maybe Yang Ching-chu's point is that children born and raised in Taiwan should learn Hakka, Fulao, and the mountain dialect from a young age. Does this make sense?

Actually, promoting the use of Mandarin is a legitimate and extremely simple matter. Amazingly, somebody would still criticize the Mandarin policy as wrong today at a time when the overwhelming majority of educated people can communicate in Mandarin. How inappropriate! Whether or not to teach Taiwanese to their children is parents' own business. Presumably the government has never stopped them from doing so. It may be argued that Taiwanese is part of native culture. Then Yang Li-hua's [2799 7787 5363] 20-year-old Ke Tzu opera exactly testifies to the fact that the KMT government has not overlooked the preservation of indigenous culture even as it promotes Mandarin. It is sincerely hoped that people who love Taiwan would just let nature take its course and stop exploiting the language issue, let alone making emotion-charged criticism.

Rebuttal of Defense

40050011 Taipei TZULI WANPAO in Chinese
4 Aug 88 p 9

[Article by Yang Ching-chu 2799 7230 4238: "Save the Taiwanese Language Now"]

[Text] On 21 July, TZULI WANPAO published my article "KMT, It's Time We Speak Taiwanese!" which began with Councilman Yang Chen-tien's speech to the

13th KMT National Congress and proceeded to criticize KMT's language policy. Mr Pan Chih-hung countered with his article, "Why Insist on Speaking Taiwanese When Everybody Understands Mandarin?" Speaking only for the government, Pan Chih-hung spares no thought for Taiwan's entire population. There are 4 to 5 million people in Taiwan over 50 or 60 years old who do not understand Mandarin. Has the government ever considered them? A few years ago, it even wanted to pass a language law banning the use of Taiwanese in public places and requiring that Mandarin be used in all official business. The government then backed down only in the face of a critical public opinion. A review of KMT's Pekingese-only educational policy shows that its purpose was to help preserve KMT rule. Pan Chih-hung says that the government has never banned Taiwanese and cited Yang Li-hua's 20-year-old ke-tzu opera to prove that the government has never ignored the preservation of indigenous culture. This is a lie told against one's own conscience. For over 40 years, schoolchildren who spoke Taiwanese were fined and struck on the palms of their hands. Everybody knows that. Taiwanese TV shows and movies all have restrictions. A few months ago, there were simply no TV newscasts in Taiwanese, and whatever Taiwanese newscasts exist today are relegated to non-prime-time hours, thus depriving 4 to 5 million non-Mandarin-speaking people of the opportunity to absorb new information and knowledge. If this is not suppression, what is?

All universities today have departments of English, Japanese, Spanish and other foreign languages, the sole exception being a department of Taiwanese, which is native to the land. Nor do they have a department of Taiwanese history. Textbooks give only limited coverage to Taiwanese geography, history, and music. As a result, schoolchildren who are very familiar with foreign geography and history know little about native Taiwanese history and geography. We cannot assume that the government has preserved native Taiwanese culture and feel grateful to it for its lofty kindness just because there is Yang Li-hua's ke-tzu opera on television. If the government really respects native Taiwanese language and culture, it could order the universities to set up departments of Taiwanese language and history. It could set up Taiwanese TV stations or stations that would give equal time to Taiwanese and Mandarin shows.

Pan Chih-hung asks which dialect should be considered standard. Any one will do, as long as the descendants of Fulao people are allowed to speak Fulao, the descendants of Hakka people are allowed to speak Hakka, and the descendants of the mountain tribes are allowed to speak the mountain language. The use of these languages should not be suppressed and the people should be allowed to preserve their mother tongue. We all agree that Pekingese should be our common language. Yet after 40 years of suppression and anti-Taiwanese discrimination and propaganda, the younger generation no longer understands the native tongue.

Pan Chih-hung says, "Let nature take its course." We agree. But after 40 years of suppression, Taiwanese is fast disappearing as our mother tongue and will be destroyed if we now let nature take its course. Had we let nature take its course 40 years ago, not only would young people today all know Taiwanese, but people from other provinces might also have learned the Taiwanese language 30 years ago. We must no longer let nature take its course and allow the dying Taiwanese language to become extinct. That is why we demand bilingual education.

My criticism of KMT's 40-year policy of suppressing the Taiwanese language is completely truthful. The public is free to judge every word I said and decide whether or not the KMT really did suppress the language as I claimed. Pan Chih-hung asks, "If Taiwanese were suppressed, how could 80 percent of the people at the Congress understand Taiwanese, as Yang Ching-chu said?" After having lived in Taiwan for 40 years, of course these people could understand the language. It is not too much to demand that they speak the language as well. Besides, some of the scholars present were born here.

Pan Chih-hung says that an intellectual like me should not have written that kind of article. Let me make things clear. My cultural movement was started with indigenous culture in mind. This is something I should do. If the government still turns a blind eye to bilingual education, not only will I continue to raise hell in my articles, but my next step will be to call for an all-out demonstration. This is because Taiwanese is fast dying from suppression and will disappear if we do not save it.

'Traumatic Experience'

40050011 Taipei TZULI WANPAO in Chinese
5 Aug 88 p 14

[Article by Chuang Hua-tang 8369 5478
1016: "Traumatic Experience Recalled To Rebut Government Policy"]

[Text] I came across a short commentary by Yang Ching-chu, a writer of the earlier generation, in TZULI WANPAO a few days ago. In view of the suppression of Taiwan's mother tongue, Southern Fukienese, the article appealed to the KMT regime to respect the right of the Taiwanese people to freely use their native tongue. As I read the article, empathizing with the writer, a "painful feeling" instinctively welled up in my heart.

On 8th last month, I attended a summer writing seminar, a symposium on up-and-coming writers. Time and again the students voiced misgivings about campus romance fiction, represented by Hsi Tai and Hsiao Sho-tsu. They were worried that there would be a scramble among people in the intellectual circle to popularize this genre of fiction, making the present vulgar cultural climate even more so. After a heated discussion, a student asked about the use of the dialect in literary creation and criticized the government's cultural policy as misguided.

As I responded to his question, citing a personal experience, a painful feeling welled up inside me. I was so overwhelmed with emotion that I almost burst into tears there and then. This is the incident I recalled.

Several months ago, mother came north from the countryside to visit her children and grandchildren. She stayed at my rented apartment so that we could enjoy one another's company as a family. One evening, my wife and I had to go out at 2000 hours. Knowing that she would be alone by herself and bored, mother asked me to run a movie for her, saying that anything would do, so long as "it is in Fulao." Mother is from Hakka and speaks Southern Fukienese. She never went to school, so naturally she could not understand the official language, Mandarin. I selected "Hard Life," directed by Hou Hsiao-hsien [0186 1321 6343], from among my collection of 300 video tapes. She was very pleased. After leaving home, however, I kept worrying that my illiterate mother could not appreciate the dull and highly artistic movie. Apparently my concern was unfounded. When we returned home at 2300 hours, mother was already sound asleep. Casually I checked the tape...it had played to the end. Feeling depressed, I tossed and turned all night, unable to sleep. The next day I asked her whether or not she liked the movie. She said, "Awful. But they spoke Fulao. I understood what they said."

Actually mother's desire to listen to Taiwanese and see Taiwanese movies is shared by a majority of Taiwanese, particularly elderly people who do not speak Mandarin. This is a natural tendency out of necessity and has nothing to do with politics or provincial origins. Yet even as it pursues a native policy, the government ignores public opposition and foolishly and thoughtlessly restricts the use of the Taiwanese language. For instance, the government limited the number of hours of indigenous dialect TV broadcasting not too long ago. Despite a rising tide of opposition, the several government departments concerned kept being indecisive and passing the buck among themselves. As a result, the plan to relax this restriction still remains on the drawing board. As for the existing handful of TV series in southern Fukienese, they keep portraying Taiwanese people as country bumpkins, uncouth types, and comical characters. Amazingly, this deliberate attempt to vilify the Taiwanese people comes packaged as a small favor on the part of Han chauvinists to the Taiwanese people. Moreover, there is a new type of movies, such as "Osmanthus Lane" and "Scarecrow," which adopted local Taiwanese folk themes. Amid a chorus of criticism from experts and scholars, the party-run Chung Ying Film Corporation still falsely accuse these films as generating poor box-office returns by ignoring the fact that these movies were dubbed in Taiwanese the whole time they were played, full house, at the Far East Theater. The government's ostrich mentality is simply incomprehensible.

In a free democratic society, government policies should revolve around the interests of the entire people and take into special consideration the voice of the weak. After

martial law was lifted, the KMT, which has ruled Taiwan for 40 years, remains wedded to its ruling-party mentality. To facilitate its one-party rule, it rides roughshod over public opinion and ignores popular needs. Its so-called native policy is a mere tool to perpetuate KMT rule by exploiting the legend of Wu Feng. I can still recall attending Yung An National Middle School as a youth. On order from the Ministry of Education, the principal instructed the director of discipline to carry out a "speak Mandarin campaign." Students were ordered not to speak a word of Taiwanese dialect at school, otherwise they would be made to wear a sign around their neck to be ridiculed by all faculty and students. I was class monitor at the time. Inadvertently I let out a sentence in Hakka and was informed on by a classmate. I wore the "dog collar" for 2 weeks but could not bear to pass it on to another student. In the end, I refused to make a speech

at the weekly school assembly and was slapped seven or eight times on the face by the director of discipline on the flag-raising stand. This scar was deeply etched on my young mind and still hurts whenever I remember the incident. No words can describe that painful feeling.

But bygones are bygones and we must look ahead. Much of the political situation of the past was under special historical circumstances, and many government measures were inevitably wrong. Since the end of strong-man rule, however, the entire political environment has changed. If it is not to be rejected by the people, the government should change its biased attitude as the situation changes. Today, people are much more enlightened. The argument that the use of Taiwanese dialect may encourage the Taiwan independence movement can be put to rest.

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